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# ***Daily Report***

## **China**

FBIS-CHI-88-229  
Tuesday  
29 November 1988

# Daily Report

## China

FBIS-CHI-88-229

### CONTENTS

29 November 1988

#### INTERNATIONAL AFFAIRS

##### General

UN Move Planned To Allow 'Arafat's Address [XINHUA]	1
Visa Denial Violates Agreement [XINHUA]	1
Committee Urges Decision Reversal [XINHUA]	1
U.S. Not Opposed To Geneva Move [XINHUA]	2
Embassies, Media Firms Must Pay Rent in Dollars [Tokyo KYODO]	2
Foreign Partner Sought for Aircraft Industry [CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 28 Nov]	3
'Roundup' Views Gorbachev's India Visit [RENMIN RIBAO 23 Nov]	4
'Roundup' on West Europe-Soviet Economic Ties [XINHUA]	5

##### United States & Canada

Paper Analyzes Bush's Economic Policy [JINGJI RIBAO 12 Nov]	5
U.S. Semiconductor Chip Business Faces Downturn [XINHUA]	6
U.S. Chocolate Company Signs Contract [CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 28 Nov]	7
Sino-U.S. Cooperation in Film Production Slated [XINHUA]	7
Paper Views Joint Tarim Oil, Gas Exploration [Hong Kong LIAOWANG OVERSEAS EDITION 14 Nov]	7

##### Soviet Union

Shevardnadze Cited on Relations With China [RENMIN RIBAO 26 Nov]	11
Normalization of Sino-Soviet Ties Viewed [XINHUA]	11
Domestic Service Views Meeting [XINHUA]	12
Heilongjiang Signs Contracts With Soviet Union [Harbin Radio]	12
Prospering Sino-Soviet Border Trade Reported [XINHUA]	13

##### Northeast Asia

Paper Views Possible Korean Peninsula Talks [Hong Kong LIAOWANG OVERSEAS EDITION 28 Nov]	13
Wu Xueqian Meets Japanese Politician, Delegation [XINHUA]	14
Japanese Companies Face Trade Difficulties [Tokyo KYODO]	14
Mongolian Border Treaty Signed in Beijing [XINHUA]	14

##### Southeast Asia & Pacific

Li Peng Visit Strengthens Southeast Asia Ties [ZHONGGUO XINWEN SHE]	15
LIAOWANG on Li Peng's Visit to Thailand [Hong Kong OVERSEAS EDITION 21 Nov]	16
Qin Jiwei Comments on Relations With Vietnam [Bangkok ZHONG HUA RIBAO 27 Nov]	17
News Analysis of Philippine Political Tensions [XINHUA]	17

##### Near East & South Asia

Syrian President Receives NPC Delegation [XINHUA]	18
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##### Sub-Saharan Africa

Qian Qichen Fetes Zimbabwean Foreign Minister [XINHUA]	19
Yang Rudai, CPC Delegation Depart for Africa [XINHUA]	19



## West Europe

UK's Channon To Discuss Transport Development [XINHUA] .....	19
Joint Dairy Project With FRG Progresses [XINHUA] .....	19
Sino-Foreign Egg Products Plant Planned [XINHUA] .....	20
Scholar Luo Niansheng Honored in Greece [XINHUA] .....	20

## East Europe

Beijing Reception Marks Yugoslav Republic Day [XINHUA] .....	20
CSSR Party Officials Brief Jiangxi Leaders [Nanchang Radio] .....	21

## NATIONAL AFFAIRS

Li Peng, Yao Yilin Address Planning Conference .....	22
Joint Opening Session [Beijing Radio] .....	22
Li Peng Presides [XINHUA] .....	22
Li on Improving Economic Order [XINHUA] .....	23
Li Warns of 'Many Difficulties' [AFP] .....	24
Yao Yilin On Economic Problems [XINHUA] .....	24
Essay Says Promise of Democracy Unfulfilled [Hong Kong SOUTH CHINA MORNING POST 29 Nov] .....	24
Hong Kong Article on Dissidents in China [Hong Kong SOUTH CHINA SUNDAY MORNING POST 27 Nov] .....	26
Liu Shaoqi's Son Views Communist Party Role [Hong Kong MING PAO 28 Nov] .....	27
Official Dismissed for Shielding Law-Breaking Son [XINHUA] .....	28
KMT Revolutionary Committee Elects New Leaders [RENMIN RIBAO 20 Nov] .....	29
Industry, Commerce Federation Congress Opens [XINHUA] .....	29
Zhao Ziyang Remarks Cited [XINHUA] .....	29
New Department Controls State Properties [CHINA DAILY 28 Nov] .....	30
Health Minister Mentions Radioactive Contamination [RENMIN RIBAO 26 Nov] .....	30
Song Jian Addresses Hunan Science Meeting [Changsha Radio] .....	31
Yang Shangkun Speaks at Liu Shaoqi Memorial [Beijing Radio] .....	32
Measures To Stabilize Currency, Prices Viewed [JINGJI RIBAO 29 Oct] .....	33
Analysis of 1988 Economic Situation [JINGJIXUE ZHOUBAO 13 Nov] .....	35
Calculating Price Indexes 'Not Difficult' [RENMIN RIBAO 18 Nov] .....	38
Symposium on Defense, Economic Construction [JIEFANGJUN BAO 24 Oct] .....	40
Official Discusses Gold Production Problems [Beijing International] .....	41
'Roundup' on Export Commodity Bases Construction [RENMIN RIBAO 20 Nov] .....	42
Bank of China Issues 'Great Wall Mastercard' [XINHUA] .....	43
Establishment of Property Rights Explored [JINGJI YANJIU 20 Sep] .....	43
'Sidelights' on National Rural Work Conference [RENMIN RIBAO 18 Nov] .....	47
Price Problems Seen in Cotton Growing Industry [CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 28 Nov] .....	49

## REGIONAL AFFAIRS

### East Region

Fujian's Chen Guangyi at Yang Deming's Funeral [FUJIAN RIBAO 17 Nov] .....	50
Fujian Encouraged To Carry Out Winter Farm Work [Fuzhou Radio] .....	50
Shanghai Mayor Discusses Economic Development [Shanghai Radio] .....	50
Zhejiang, Fujian To Use Tidal-Generated Power [XINHUA] .....	51

### Central-South Region

Guangdong Stresses Increasing Grain Production [Guangzhou Radio] .....	51
Opium Smuggling Discovered in Guangxi City [ZHONGGUO XINWEN SHE] .....	52
Chen Huiguang at Guangxi Rural Work Conference [Nanning Radio] .....	52
Radio Commentary Views Henan Power Shortage [Zhengzhou Radio] .....	52

### Southwest Region

Yang Rudai at Sichuan Rural Work Conference .....	53
Criticizes Cadres Work Style [Beijing Radio] .....	53
Views Economic Problems [Chengdu Radio] .....	53
Sichuan Satellite Ground Station in Operation [CEI Database] .....	54
Another Earthquake Hits Yunnan Province 27 Nov [Beijing Radio] .....	55

### North Region

East Beijing Subsidence Found Causing Damage [CHINA DAILY 26 Nov] .....	55
Activities of Hebei's Xing Chongzhi Highlighted .....	55
At Commendatory Meeting 8 Nov [HEBEI RIBAO 12 Nov] .....	55
Attends Work Committee Inauguration [HEBEI RIBAO 10 Nov] .....	56
At 8th Women's Congress Opening [HEBEI RIBAO 10 Nov] .....	56
Views Economic Environment Improvement [HEBEI RIBAO 13 Nov] .....	57
Hebei Family Planning Conference Held 14 Nov [HEBEI RIBAO 14 Nov] .....	57
Wang Qun at Inner Mongolian Plenary Meeting [NEIMENGGU RIBAO 7 Nov] .....	58
Report on Key Projects in Inner Mongolia [CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 28 Nov] .....	59

### Northeast Region

Regional Power Network's Automatic Control System [RENMIN RIBAO 22 Nov] .....	60
Activities of Heilongjiang's Sun Weiben Viewed .....	60
Speaks to Qiqihar Leaders 24 Nov .....	60
Conducts Investigations in Nehe [Harbin Radio] .....	61
Jilin's He Zhukang on Party Building Examples [Changchun Radio] .....	61
Liaoning Capital Builds National Robotics Center [CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) 28 Nov] .....	62

### Northwest Region

Gansu Mentally Retarded Forbidden To Bear Children [RENMIN RIBAO 25 Nov] .....	63
Yin Kesheng Voices Hopes for Qinghai Youth [Xining Radio] .....	63
Population Increase Out of Control in Shaanxi [RENMIN RIBAO 20 Nov] .....	64
Shaanxi's Xian To Get Microwave TV System [CEI Database] .....	64
Song Hanliang Speaks at Xinjiang Work Conference [Urumqi Radio] .....	64

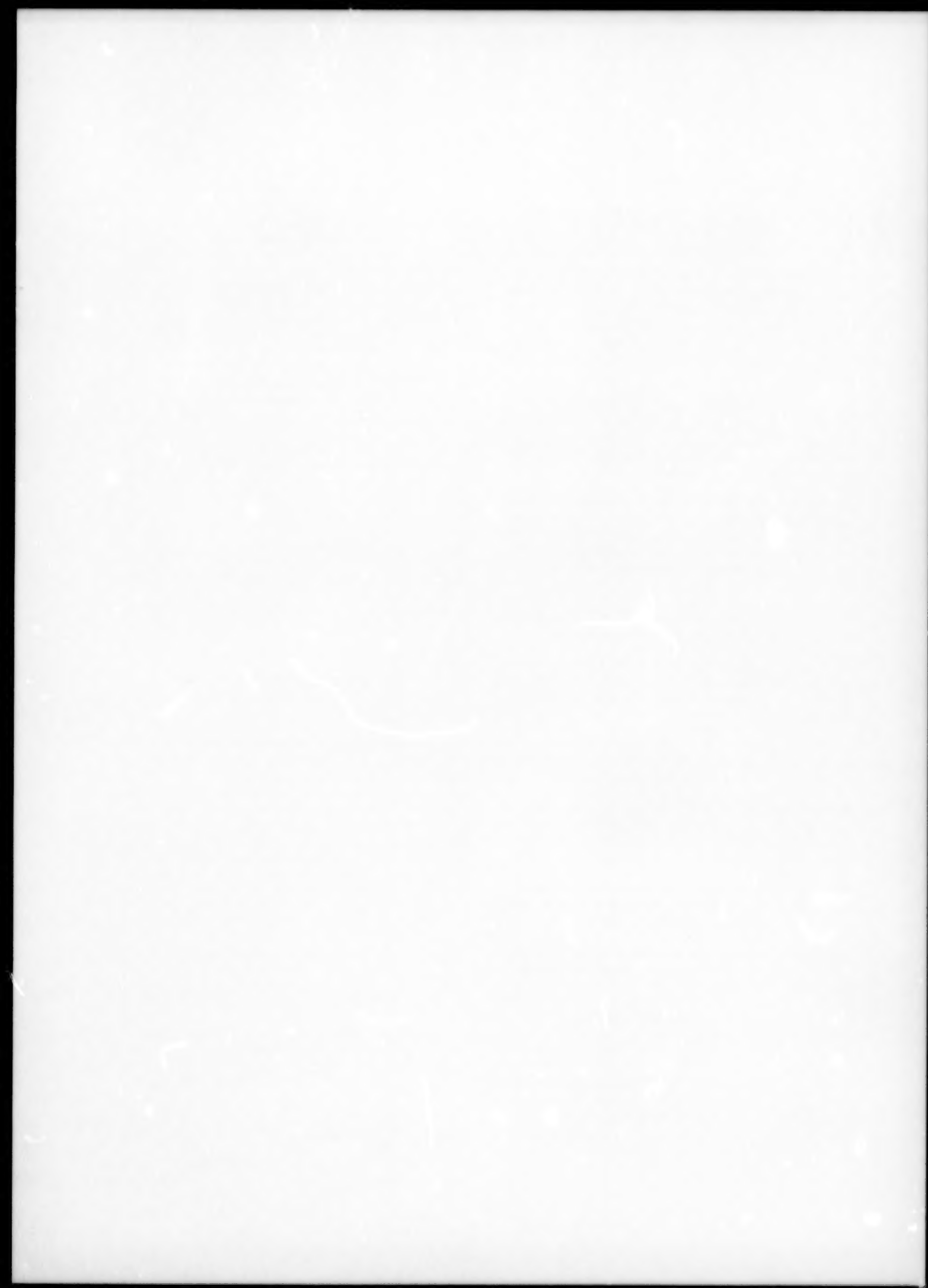
## HONG KONG & MACAO

### Hong Kong

Amendment Consideration of Basic Law Continues .....	66
Pressure on Economic Provisions [SUNDAY STANDARD 27 Nov] .....	66
Economic Guidelines Included [SOUTH CHINA MORNING POST 28 Nov] .....	66
Human Rights Provisions 'Inadequate' [SUNDAY STANDARD 27 Nov] .....	67
Chinese Official on Liberals' Basic Law Protest [HONGKONG STANDARD 28 Nov] .....	68
XINHUA Spokesman Denies Story [XINHUA] .....	69
Officials To Increase Working Visits With PRC [SOUTH CHINA MORNING POST 28 Nov] .....	69
Mainland Takes 'Modest Stake' in Local Firm [HONGKONG STANDARD (BUSINESS STANDARD) 28 Nov] .....	70
Retailers Hope To Employ Vietnamese Refugees [Hong Kong SOUTH CHINA SUNDAY MORNING POST 27 Nov] .....	70
PRC Asked To Help Prevent Illegal Immigration [SOUTH CHINA MORNING POST 29 Nov] .....	72
Experts View Future of UK Military Facilities [SOUTH CHINA MORNING POST 29 Nov] .....	72
Policy on East Bloc Visitors Slated To Change [SOUTH CHINA MORNING POST 26 Nov] .....	73

### Macao

First Soviet Trade Delegation Arrives 24 Nov [ZHONGGUO XINWEN SHE] .....	73
Departs 28 Nov [AFP] .....	74



## General

**UN Move Planned To Allow 'Arafat's Address**  
*OW2811225688 Beijing XINHUA in English*  
1915 GMT 28 Nov 88

[Text] United Nations, November 28 (XINHUA)—Dante M. Caputo, president of the 43rd Session of the General Assembly indicated here today that the world body will move its debate on the Palestinian question to Geneva due to the U.S. denial of the visa for Yasir 'Arafat, leader of the Palestine Liberation Organization (PLO).

In a statement issued in response to the U.S. action, the president said that "as soon as we receive a special request from the Arab group, we shall proceed in the best possible manner to ensure that Chairman 'Arafat is able to address the General Assembly."

Last Saturday [26 November], the United States on the ground that 'Arafat leads a terrorist group, officially rejected his request for a visa to enter the United States to address the General Assembly later this month when the Assembly begins its debate on the Palestinian question.

The U.S. move has aroused a strong outcry here among diplomats as well as U.N. officials.

Caputo, who is the foreign minister of Argentina, said in his statement today that the U.S. Government "was and is under the obligation to grant the visa" requested by 'Arafat.

Under the 1947 U.N. Headquarters Agreement, the United States, as a host country, has no right to block anyone coming to address the General Assembly.

Meanwhile, ambassadors from the Arab countries are meeting here today to work out a possible request for moving the General Assembly's debate on the Palestinian question to Geneva.

Diplomats and observers here believe that a majority of the U.N. delegates will be in favor of the move, which requires only a simple majority for approval.

It was also believed that the General Assembly might consider the issue of moving its debate on Palestinian question to Geneva today.

### Visa Denial Violates Agreement

*OW2911020688 Beijing XINHUA in English*  
0134 GMT 29 Nov 88

[Text] United Nations, November 28 (XINHUA)—China today stated that the United States violated the U.N. Headquarters Agreement by rejecting PLO leader Yasir 'Arafat's request for a U.S. visa to attend the on-going U.N. General Assembly.

Speaking at the urgent meeting of the U.N. Host Country Committee this afternoon, Chinese Deputy Permanent Representative Yu Mengjia said that the U.S. decision "is in violation of the headquarters agreement" signed between the world organization and the United States in 1947.

Under the agreement, the United States, as the host country, has no right to deny a visa request from anyone coming to the General Assembly at the invitation of the United Nations.

Yu said the U.S. denial of 'Arafat's visa request, announced by U.S. Department of State last Saturday, is also "not conducive to a settlement of the Middle East question."

He said that the United States has an obligation not to impose any impediments to persons invited to the U.N. Headquarters on official business and the Chinese Government deplores the U.S. move in which the United States failed to abide by its obligations.

He urged the United States to reconsider its decision and grant a visa to 'Arafat so as to enable the U.N. General Assembly to proceed normally according to its schedule.

'Arafat was due to address the General Assembly on December 1 when the Assembly takes up the Palestinian question.

### Committee Urges Decision Reversal

*OW2911041488 Beijing XINHUA in English*  
0125 GMT 29 Nov 88

[Text] United Nations, November 28 (XINHUA)—The U.N. Host Country Committee today charged that the United States has seriously violated the U.N. Headquarters Agreement by denying PLO Leader Yasir 'Arafat's request for U.S. visa to attend the General Assembly.

The charge, contained in a statement issued by the president of the committee after three rounds of intensive meetings today, also urged the United States to reverse its decision and fully respect the agreement, signed between the world organization and the United States in 1947.

Under the agreement, the United States, the host country, is obliged to grant visa to anyone coming to attend the U.N. General Assembly at the invitation of the world organization.

'Arafat, leader of the Palestine Liberation Organization (PLO), was expected to address the current session of the General Assembly on December 1 when the assembly begins the debate on the Palestinian question.

However, the United States, under the pretext that PLO is a terrorist organization, refused last Saturday to grant a visa to 'Arafat.



Addressing today's meetings of the Host Country Committee, many speakers, including Iraq, France, Spain, Bulgaria, the Soviet Union, China and Britain, said that the U.S. denial of the visa to 'Arafat is a violation of its responsibilities as host country under the 1947 headquarters agreement.

'Isamat Taha Kittani, Iraqi ambassador who made the request for the committee meeting, said that the U.S. decision has been a slap in the face to every member of the organization. "A dangerous precedent would have been set if the decision were not reversed," he said.

He urged the committee and the assembly to reject the U.S. decision completely and ask the host country to reverse itself and comply with its clear obligation to the organization.

Dmitriy Bykov, the Soviet representative, denounced the United States for its "gross violation" of the headquarters agreement and urged it to "immediately review its illegitimate decision."

U.S. representative Patricia Byrne, regardless of the widespread outrage from speakers at the meeting, defended her government's decision by repeating that PLO has engaged in terrorism against the United States.

The statement of the committee president will be submitted to the General Assembly and its Sixth Committee which is in charge of the legal matters.

According to U.N. diplomats, the Sixth Committee is expected to work out soon a resolution declaring the U.S. violation of the headquarters agreement and demanding the U.S. reconsideration of its decision.

Zuhdi Labib al-Tarazi, PLO permanent observer, told reporters that he expects that the General Assembly will condemn the U.S. violation of the agreement.

"We have to have the General Assembly condemn the U.S. move first before we proceed to the question of moving the General Assembly's debate" on the Palestinian question to Geneva, he said.

Al-Tarazi also admitted that a 48-hour deadline has been set by the Arab countries for the United States to reverse its decision. Under the previous schedule, the General Assembly should begin the debate on the Palestinian question on December 1.

**U.S. Not Opposed To Geneva Move**  
*OW2911041288 Beijing XINHUA in English*  
0107 GMT 29 Nov 88

[Text] Washington, November 28 (XINHUA)—The Reagan administration, while calling it "unnecessary," said today that it would not oppose the United Nations shifting its debate on the Palestinian issue to Geneva.

The U.S. State Department, citing "association with terrorism," on Saturday denied a visa to Yasir 'Arafat, chairman of the Palestine Liberation Organization (PLO), for entering this country to address the United Nations General Assembly in New York.

Arab diplomats at the United Nations this morning set Wednesday [30 November] as the deadline for Washington to reverse its decision, and said they otherwise will formally request the moving of the U.N. General Assembly debate on Palestine from New York to Geneva so that Chairman 'Arafat can address the session.

"We do not oppose General Assembly consideration of the Palestinian question. It's an important matter," State Department spokesman Charles Redman said.

As for any proposal to move the U.N. session to Geneva, Redman said, "While we would not favor such a move, we do not oppose it."

But he said the shift is "unnecessary" since there are other PLO spokesmen in New York who could speak on the subject apart from Chairman 'Arafat.

At the White House, spokesman Marlin Fitzwater said that if the U.N. session is moved to Geneva, "We would participate."

The U.S. decision to deny 'Arafat an entry visa has drawn mounting criticism from Arab nations, U.N. officials and even some allies, many of whom accused the United States of violating international law.

But Redman said today the "decision is firm and final" and that the United States did not violate the U.N. Headquarters Agreement because the accord "does not obligate us to grant entry to every individual invited by the United Nations."

Under the United Nations Headquarters Agreement of 1947, the United States is not supposed to "impose any impediments to transit" of people invited to the United Nations on official business.

But as the State Department said on Saturday, the United States has always reserved the right to "bar the entry of those who represent a threat to our security."

**Embassies, Media Firms Must Pay Rent in Dollars**  
*OW2811135588 Tokyo KYODO in English*  
1304 GMT 28 Nov 88

[Text] Beijing, Nov. 28 KYODO—All embassies and media-related companies in Beijing have recently received a notice from a government-controlled enterprise which provides housing for them, announcing that from January 1989 rents must be paid in dollars.

Another similar enterprise in the city, with foreign private companies as their customers, has already publicized its demand to have rents paid in dollars not yuans.

In the notice, dated November 21, the municipal government said rents will not be revised until 1991 if they are paid in dollars from 1989. However, should foreign companies and embassies prefer to continue paying in the same manner using notes specially issued for exchanging yuans to foreign currencies, the rents will be increased.

The Japanese Embassy, with some 60 staff, currently pays monthly rent of 75,000 yuans. An official said they have not decided which measure to take because they must confer first with the Finance Ministry.

Foreign residents speculate the Chinese Government may devalue the yuan early next year due to progressing inflation.

#### **Foreign Partner Sought for Aircraft Industry**

HK2811054888 Beijing CHINA DAILY  
(BUSINESS WEEKLY SUPPLEMENT)  
in English 28 Nov 88 pp 1, 2

[By staff reporter Xie Songxin: "China Seeks Foreign Help for a Take-Off in Aircraft Industry"]

[Text] China's aerospace industry took a great step forward when it gained a \$500 million contract with the American McDonnell Douglas Company to assemble 25 MD-82 jets over a five-year period in Shanghai.

That was three years ago and now the industry has its sights set on building its own all-Chinese jetliners with the way forward being seen as co-operation with foreign aircraft markets.

As the Shanghai Aircraft Manufacturing Plant assembles the seventh plane of the McDonnell Douglas contract, preparations are underway for a billions of dollars project. Now China is seeking a foreign partner for the researching, designing, manufacturing and marketing of a 150-180 seat airliner virtually from scratch.

Tang Xiaoping, vice-president of China National Aero-Space Technology Import and Export Corporation (Catic), told Business Weekly that his company has begun negotiations in depth with major aircraft and engine manufacturers around the world.

It conducted a four-month feasibility study with Boeing this year. Both sides then agreed to enter into further detailed talks.

Tang also said they shared a belief with McDonnell Douglas on the possibility of further cooperation. So far, four MD-82 planes assembled in Shanghai have been delivered for service with Chinese airlines. The fifth is expected to start flying this year.

A further three-month negotiation with McDonnell Douglas is ahead on modifications to the MD-80 with new engines and on engineering and production cooperation.

Negotiations with the Inter-Aero Engine Corporation and CFM, two international engine consortiums, have also yielded possibilities for co-operation.

"We'll co-operate with only one plane manufacturer and our new airliner will be based on one of that maker's models," Tang said.

He added that the name of the chosen foreign partner would be announced early next year. However, it is clear that whoever is picked for the co-operative venture will have to be prepared to share its technology and allow a strong Chinese involvement in research, design and production.

It is predicted that the new venture will begin in 1991, the year when the existing MD-82 contract ends. The target will be to manufacture about 150 planes before the year 2000.

With an ambition of doing more than a subcontracted job of producing plane parts for Boeing and other companies and encouraged by a national determination to manufacture everything from microlights to spacecraft, China is eager for help in pushing its aircraft industry into fast ahead.

But such co-operation demands that foreigners offer a great deal more than a little sheet-metal work. It means offering wide-ranging training schemes to spread knowledge fast so that Chinese engineers and workers quickly become capable of making planes complete themselves.

With many production facilities lying idle and being shifted to civilian production, Chinese aircraft factories are keen to gain orders. Involvement in the production of modern planes will give them a fresh impetus and insight into technology that up until now Chinese workers have never touched.

Tang said his company would seek to persuade the foreign partner to have as many parts of the proposed new airliner made in China where production costs are so much lower than in other countries.

China will indeed insist in the negotiations that the plane body be constructed in Chinese plants. In return it would be prepared to open up its vast market to foreigners.



"We plan to make Chinese airlines dependent on domestic production for 150-seat planes. But of course, we will still have to import larger jets," Tang said.

China's further aim is to sell its aircraft, both military and civil, on the worldwide export market to earn hard currency.

Foreign co-operation is needed for this to ensure its planes meeting international design and manufacturing standards.

Already, both Chinese and West German engineers have become involved in another project called MPC-75. Under an agreement, Catic and Messerschmidt-Boelkow-Blohm (MBB) will join hands to design, make and sell an 80-seat jetliner.

Thirty Chinese engineers are working for the pre-development phase in Hamburg where a joint venture company has been set up for the project.

Both sides are looking for the third and fourth co-operation partners, Tang said.

Although it faces the problems of out-dated equipment and technology, and under-trained workers, China will never be satisfied with owing a "second-rate" aerospace industry. It seeks to pioneer into new fields of experience. "That is the only way forward," Tang said.

**'Roundup' Views Gorbachev's India Visit**  
*HK2611043588 Beijing RENMIN RIBAO*  
*in Chinese 23 Nov 88 p 6*

["Roundup" by Gui Tongchang (2981 6639 2490):  
"Gorbachev Visited India Again"]

[Text] From 18 to 20 November, Soviet leader Gorbachev made a 3-day visit to India. This was his second visit to India, following his first in November 1986. India is the only Asian country Gorbachev has visited since he became the supreme leader of the Soviet Union in 1985. Public opinion maintains that the fact that Gorbachev has paid two visits to India in 2 years reflects "India's importance in Soviet Asian diplomacy." Gorbachev himself also regarded his Indian trip as an "important step" in developing relations between the two countries.

During his visit, Gorbachev held talks with Indian leaders on bilateral relations, regional problems, and the international situation. They issued a Soviet-Indian joint statement on the international situation, which stresses maintaining the current momentum of nuclear disarmament in the world and appeals for the realization of demilitarization, democratization, and humanization in international relations. The two sides signed six documents on strengthening their economic, trade, scientific and technical, and cultural cooperation. In accordance with an agreement reached between the two sides, the

Soviet Union will provide India with unsecured loans worth 400 million rubles (approximately \$660 million) to help India to build thermal power stations. In addition, the Soviet Union will provide India with a 48-billion-ruble loan (approximately \$3.31 billion U.S. dollars) [amounts as published] to help India build two nuclear 1,000-megawatt power stations.

During his visit to India, apart from receiving the "Indira Gandhi Peace Award" and attending the closing ceremony of the Soviet Cultural Festival hosted by India, Gorbachev mainly held talks with Indian leaders on the international situation. It has been reported that they "reached a consensus" on the situation in Asia. In July 1986 and September this year, Gorbachev delivered important speeches on Soviet policy in the Asian and Pacific regions. In recent years, with the easing of Soviet-U.S. relations, the situation in the Asian and Pacific regions has also changed. Progress has been made in the political settlement of the Afghan issue. There are also signs of a relaxing of tension with regard to the Cambodian problem. Sino-Soviet relations have been improved. Regarding Sino-Indian relations, Indian Prime Minister Rajiv Gandhi will visit China next month. A general election was recently held in Pakistan. It was under this situation that Gorbachev visited India with the aim of "exchanging views on the situation in Asia as a whole" with Indian leaders to reach a common understanding on the situation and to "keep in step with each other."

The Soviet Union and India have for a long time developed their "close relations" in the political, economic, and military fields. With the improvement of Soviet relations with other Asian and Pacific countries, more and more people in India are worried about the possibility that the "importance of India in Soviet diplomacy will continuously decline." In this connection, while Gorbachev was visiting India, he emphasized again the "special relations" between the Soviet Union and India. He reiterated again and again that "Soviet-Indian friendship is based on a solid foundation," and that the Soviet Union's "developing relations with a third country" would not affect its relations with India.

Both the Soviet Union and India attached importance to Gorbachev's visit to India, stressing that the visit has pushed the relations between the two countries to a "new level," and that their "good relations have been further developed." Indian leaders have said that the Soviet Union is "a long-tested friend," whereas the Soviet Union points out that India is a big country in a strategically important region. People will never neglect the fact that the Soviet Union is the main supplier of weapons to India. It has been reported that up to 1986, Soviet economic aid to India had reached \$5.4 billion, and that by 1985 the Soviet military aid to India had reached \$5.1 billion. In recent years, the Soviet Union has provided India with the advanced MiG-29 fighter, which even the Soviets' Warsaw Pact allies have not obtained. This year the Soviet Union supplied India with

a nuclear submarine. India needs the support of the Soviet Union in developing its economy, strengthening its national defense, and so on. The Soviet Union also needs the support of India in implementing its new foreign policy in the Asian and Pacific regions.

**'Roundup' on West Europe-Soviet Economic Ties**  
OW2811015988 Beijing XINHUA in English  
0812 GMT 27 Nov 88

[("Roundup: West Europe Enhances Economic Ties With Moscow (by Shen Xiaoquan)"]—XINHUA headline]

[Text] Paris, November 26 (XINHUA)—French President Francois Mitterrand returned to Paris after concluding an official 2-day visit to the Soviet Union.

Mitterrand's Soviet trip was preceded by Soviet leader Mikhail Gorbachev's meetings with Austrian Chancellor Franz Vranitzky, Italian Premier Ciriaco de Mita, and Federal German Chancellor Helmut Kohl.

It was reported that Soviet leader Mikhail Gorbachev is scheduled to pay an official visit to Britain next month.

In addition to its political consideration, West Europe's "Gorbamania" is mostly aimed at enhancing trade and economic ties with the Soviet Union.

In the past few years, dialogue has replaced confrontation in international situations.

This resulted from summits between Washington and Moscow, as well as from the signing of the Intermediate Nuclear Forces Treaty in 1987.

Detente between East and West has given an impetus to the East-West economic cooperation.

In June, the European Economic Community established formal relations with the Council for Mutual Economic Assistance. Against this background, politicians, as well as business circles in West Europe, have shown more interest in the Soviet Union, which is undergoing a deep economic reform.

Up to now, big banks in West Europe have provided Moscow with loans totaling 7 billion dollars, about one-third of the total Soviet foreign debt.

Why is West Europe so anxious to expand economic ties with the Soviet Union?

First, West Europe is currently confronted with difficulties in its continuing economic development.

For example, barricades still remain to a sustained world economic progress, following last year's stock crisis.

Western countries attempted to get out of the dilemma through consistent adjustment of their economic policies.

However, their efforts have been spoiled by internal contradiction which are clearly illustrated by Europe-U.S., U.S.-Japan, and Europe-Japan trade conflicts.

West European countries are forced to seek new opportunities, and they realize that the neighboring Soviet Union and Eastern Europe are potentially important markets. Furthermore, the Soviet Union's economic reforms and open policies also make Western Europe's entrepreneurs hope for the possibility of expanding cooperation with the Soviet Union.

Prior to his visit to Moscow, Mitterrand explicitly expressed appreciation for Gorbachev's open policy. It would benefit both sides if France and Western Europe could help promote Soviet reform initiatives, he said.

On the other hand, the Soviet Union also needs West European capital and advanced technology to boost its economy.

This interdependence can secure hopeful prospects for strong economic ties between West Europe and the Soviet Union.

## United States & Canada

**Paper Analyzes Bush's Economic Policy**  
HK2911005188 Beijing JINGJI RIBAO  
in Chinese 12 Nov 88 p 4

[Article by He Ming (0735 6900), staff reporter stationed in the United Nations: "How Will the New Master of the White House Administer the Economy—A Brief Analysis of Bush's Domestic and Foreign Economic Policies"]

[Text] U.S. Vice President George Bush won the presidential election held on 8 November, and will enter the White House on 20 January to become the president of the United States. What economic policy will he, after all, pursue after taking office? This has become a focus for people's attention.

Judging from Bush's political program issued during the election campaign, we know that he will "follow the rules and methods of his predecessor," namely, continue to pursue Reagan's economic policy. He will try to maintain economic growth which has been sustained for 6 years. Specifically speaking, he will continue to restrict the role of the government in the economy, encourage the development of private enterprises, and adopt various measures to stimulate investment. The most difficult problem which Bush will face after taking office is how to reduce the huge budget deficit. In this connection, he has clearly and definitely pointed out that under the prerequisite of not increasing taxes, he will adopt the method of cutting off expenditures to reduce deficits to gradually

attain a balance between revenue and expenditure. The specific methods will include "vetoing separate items" [fen xiang fou jie 0433 7309 0694 0414] to cut off expenditure, and "elastic freezing" [tan xing dong jie 1734 1840 0408 4814] to reduce deficits. The so-called "elastic freezing" means that the proportion of increase in total expenditure must not exceed the inflation rate. Under such circumstances, expenditure on some items might be reduced, whereas expenditure on some other items might increase. In what aspects will the expenditure be frozen? Bush has not stated it definitely. However, he once said that expenditure on national defense, the Star Wars program and social welfare must not be reduced. Therefore, mainly medical subsidies and the agriculture allowance will be cut.

We should say that it is very difficult for Bush to fulfill his plan mainly because the current economic situation in the United States is very different from that 8 years ago when Reagan took office. When Reagan was in power, although economic growth was sustained for 6 years, the United States paid a high price for it: federal financial deficits increased from \$70 billion or so to more than \$150 billion, and national debt nearly doubled and reached \$2,580 billion. The record trade deficits of foreign trade were more than \$150 billion. Instead of being the biggest creditor nation in the world, the United States has become the biggest debtor nation. This mess left over from the Reagan administration will be the heaviest burden for Bush. During the first or second day after Bush won the election, financial officials of Japan, West Europe and other countries issued statements, urging Bush to reduce financial deficits immediately after he took office. This is a great pressure on Bush who has not officially taken up the post yet. Actually, many people in the economic field believe that the current economic growth of the United States has been on the last lap. Under such circumstances, the economy of the country will rapidly "decline" despite the method of reducing government expenditure, or increasing taxes. In addition, the exchange rate of the greenback is weak due to huge deficits in foreign trade. Any measure for tightening the money supply with the aim of saving the greenback will produce negative influence over the economy. The second day after Bush won the election (9 November), the Dow Jones Index of the New York stock market dropped by 9.25 instead of rising. This shows that Wall Street is worried about the future of the American economy and the greenback. Bush graduated from Yale University's Department of Economics. Later he started his undertaking in Texas as an oil magnate. Judging from his background, we know that he is not a layman in economics. To him, the current economic and financial situation is a very difficult problem.

Regarding foreign economic policy, Bush will also follow Reagan's existing guiding principle: promoting free trade, opposing trade protectionism, asking other countries to open their markets, giving up the policy of providing agricultural subsidies, protecting property right of knowledge [zi shi chan quan 4249 6221 3934

2938], and lowering tariff and nontariff barriers. Bush maintains that the best method for reducing deficits is to increase exports rather than restricting imports, because restricting imports will be retaliated. He advocates the practice of giving play to creative ability, of developing new products, and increasing labor productivity and product quality to enhance the competitiveness of American products. In view of the fact that the U.S.-Canadian Free Trade Agreement is fairly successful, Bush favors the method of free trade zones being extended to Mexico, Asia and other areas. It is appropriate to say that compared with Dukakis' trade protectionism, Bush's foreign trade policy is wise, because it conforms not only to the interests of the United States, but also to its trade partners.

However, we must realize that Bush's foreign trade policy is restrictive. When the U.S. economy "declines" or falls, the future Bush administration might take some trade protectionist measures. People must make some ideological preparations for this.

The second day after he won his presidential election, Bush announced that he would appoint Baker, who was once secretary of treasury of the Reagan administration, to be secretary of state of the new government. He also announced that Treasury Secretary Brady would continue to hold the same post in the new government. This shows that many of the existing economic policies of the Reagan administration will be continued in Bush's new administration. However, since Bush studied economics and was once an entrepreneur, he will increasingly stamp the economic policy with his own brand in time. We should take this possibility into account.

**U.S. Semiconductor Chip Business Faces Downturn**  
*OW2611014988 Beijing XINHUA in English*  
0049 GMT 26 Nov 88

[Text] Washington, November 25 (XINHUA)—Makers of semiconductor chips, who only recently enjoyed booming business due to widespread shortages and resulting price hikes, now face a downturn as sales began to lose steam lately.

Reports from the Silicon Valley said the slump would be the first since the 1985-86 collapse of the chip markets. Overexpansion during that time led to disastrous surpluses that drove chip prices down and many American semiconductor firms out of business.

The collapse was followed by a U.S.-Japan semiconductor trade agreement in 1986, which halted the slump and is said to have caused sharp increases in chip prices in the last year and a half, especially in the so-called dynamic random access memory chips (D-RAM's) that are the heart of temporary memory storage center of personal computers. By early this year, the shortage for



D-RAM's was so severe that people talked about Japanese conspiracy in "teaching the U.S. a lesson" by withholding chip sales to U.S. computer companies.

Although U.S. enjoys leading edge in special chips, Japan dominated the D-RAM market by accounting for 90 percent of world supplies. In the Silicon Valley earlier this year, a big roadside sign was posted: "D-RAM's wanted at any price." Reports had it at the time that some computer companies were putting used chips into new products because of the shortages.

Typical of the semiconductor business, the boom time lasted only a while. Now several indicators, such as some companies' operating revenues and employment, point to another downturn. For example, the Advanced Micro Devices Inc. has announced that it is laying off some 1,000 workers, or 7 percent of the company's workforce.

Even the Intel Corp., which is the only maker of the popular 80386 chips that are used in top-of-the-line personal computers and work stations, has reported slower sales lately and much lower profits than expected.

The most optimistic forecast believes U.S. sales of semiconductor chips will rise 12 percent next year, far slower than this year's growth of 30 percent. In the semiconductor business, faster sales growth is needed to compensate heavy investment in advanced manufacturing equipment.

Reports say American chip makers are not as strong as their Japanese counterparts due to less diversified production. Therefore, some more companies may be forced out of business if this time the slump gets severe enough.

The slowdown can be attributed to the sluggish sales of personal computers and to the inventory reduction by users. During the time of shortage, the users hoarded chips and by collective action they drove up chip prices. Now that the supplies are sufficient to meet consumption, the users began to unload their hoards and thus by another collective action they drive the prices down.

In fact, price for one-megabyte chips has already dropped from 23 dollars apiece in June to 18.25 dollars now; in spot market, price for the same kind of chips also declined, from 40 dollars apiece during the peak time to about 23 dollars to 28 dollars apiece now. A Merrill Lynch semiconductor industry analyst predicted that price for one megabyte chips may fall to 10 dollars apiece by the end of next year, while at the same time demands for that kind of chip will remain strong as computer companies shift from 256 k chips in favor of one megabyte ones.

During the 1985-86 chip business recession, U.S. semiconductor companies lost 17,000 jobs and 500 million dollars in profits.

#### **U.S. Chocolate Company Signs Contract**

HK2811052688 Beijing CHINA DAILY  
(BUSINESS WEEKLY SUPPLEMENT)  
in English 28 Nov 88 p 1

[Text] An American brand of chocolate is to gain a wider access to the vast Chinese market with the signing of a contract in Beijing on Friday [25 November] with Mars Incorporated of the United States to share in sponsorship of the 11th Asian Games in Beijing in 1990.

M & M's chocolates first entered the Chinese market in 1987, but sales have been limited. Ken Nielsen, regional president (Asia and Australia) of the Mars Incorporated Group, told BUSINESS WEEKLY that the purpose was just to put forward a sample of the product and let the Chinese people know about it. He hoped that the sponsorship of the Asian Games would lead to more cooperation with China.

#### **Sino-U.S. Cooperation in Film Production Slated**

OW2511203588 Beijing XINHUA in English  
1601 GMT 25 Nov 88

[Text] Beijing, November 25 (XINHUA)—The newly completed Xiamen photographic equipment production line will turn out 30 million rolls of color film and 600,000 packs of color sensitive paper a year.

Costing a total investment of 550 million yuan, the production line is the biggest and the most advanced Sino-foreign cooperation project of its kind.

The equipment and technical know-how were imported from the U.S. Kodak Film Company and are said to be the most advanced in the world.

The line will produce an output value of 400 million yuan, and a total of 150 million yuan in taxes and profit. The first batch of "Fudak" sensitive film and paper will be put on the market by February.

Experts from the U.S. Kodak Company said that the Fudak film and sensitive paper were even higher in quality than the standard written into the contract.

An official from the Ministry of Light Industry told XINHUA that, with the setting up of this production line, China would no longer have to rely entirely on imports for these types of film and paper.

#### **Paper Views Joint Tarim Oil, Gas Exploration**

HK2311100688 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 46, 14 Nov 88

[Article by Li Yongzeng (2621 3057 1073): "Sino-U.S. Joint Exploration of Oil and Gas Resources in Tarim"]

[Text] Toward the evening of one day in the spring of 1984, people of the Andier Pasture on the southern green fringe of the Taklimakan Desert were herding sheep.

They were stunned by what greeted their eyes: a collection of towering figures in uniforms with red signals. They had suddenly appeared in the desert, which had for generations witnessed no intruding stranger. Among these people were fine-featured compatriots, and whiskered jabbering foreigners. Behind them were throbbing bulldozers and a quick-moving motorcade. This was quite a shock to the herdsmen. They left behind their herds of sheep, as they rushed home on horseback with the news: Heavenly soldiers and generals had descended on the desert.

Of course, the puzzle was quickly solved. The leadership of the pasture was told: This was a Sino-U.S. seismic petroleum exploration team. Starting from June 1983, three such seismic prospecting teams had moved into the Taklimakan Desert exploring new oil and natural resources for the benefit of China. They had been working in the desert for more than 5 years. It was the only large-sized unexplored area in the world with potential oil and gas deposits. The outlook for the Tarim Basin is very bright. The matter of Chinese and U.S. explorers working in cooperation is especially noteworthy.

#### **Hope: A Return From the East to the West**

China was one of the first countries in the world to prospect for oil and gas resources. The development of the Sichuan artesian wells has a history of more than 2,000 years. In 1907, Japanese technicians drilled in Yanchang, Shaanxi. Oil was discovered. This was the start of China's modern oil industry. In 1938, Mr. Sun Jianchu, our predecessor in geological circles, discovered the Laojun Temple oil field in Gansu. This was also a relatively big oil field in China. But up to the liberation of the Mainland in 1949, the whole country had only three oil fields, with an annual output of 70,000 tons. The Chinese had to rely upon oil imports. This gave rise to the name of "yang you" [foreign oil' 3152 3111] in Chinese.

In the 1950's, New China faced an economic blockade by Western countries. It could no longer rely on foreign oil. It had to look for oil and gas resources on its own territory. Large numbers of young people left cities for the wasteland in the northwest. According to a traditionally popular theory on geology, the west of China held out the best hope for the discovery of oil. True, people successively discovered a number of oil and gas fields in such basins as Jiuquan, Junggar, Qaidam, Tarim, Turpan, E-er-duo-si [6759 1422 1122 2448], Sichuan, and so forth, but not on a large scale.

With the formation of a new petroleum geology theory, Li Siguang's theory on land facies, the focus of China's oil exploration, starting from the latter part of the 1950's, shifted from the west to the east. As early as 1959, the well-known Daqing oil field was discovered in the Songliao Basin in the Northeast. Further exploration proved that it was one of the extra-large oil fields in the world. With this as a mark, the focus of China's oil

industry officially shifted to the east. After this, in the east, further large- and medium-sized oil fields were discovered, such as the Shengli oil field of Shandong, the Dagang oil field of Tianjin, the Liaohe oil field of Liaoning, the Renqiu oil field of Hebei, the Zhongyuan oil field of Henan, and so forth. Given an oil output exceeding 100 million tons, China has become a large oil-producing country in the world.

But China's population is more than double that of 40 years ago. With various large oil fields in the east having been tapped for more than 20 years, output in some cases has declined. Greater demand for oil has resulted from economic development. Therefore, people are extremely concerned over China's oil reserves. A serious problem confronts us: If various main eastern oil fields are exhausted, where can replacements be found?

Taking an overall look at this vast land, geologists again direct their attention to the west. In 1977, a large oil-gas flow ejected from an exploratory shaft sunk in an experiment in the Ke-ke-ya [2688 0344 0068] area on the southwestern fringe of the Tarim Basin. This again sounded the bugle for a shift of the focus of petroleum geology exploration from the east to the west.

In spring of the next year, prospecting teams, numbering more than 1000 members and bringing with them 300-odd pieces of equipment and more than 5,000 tons of material, traveled from the north China plains to the Tarim Basin of Southern Xinjiang, using 150 railroad cars, 410 trucks, and 8 special planes. People hoped that, just as in the 1960's with the discovery of the Daqing oil field, several new Daqings would be found.

#### **Openness: Such Equipment Never Found in the Desert Before**

The center of the Tarim Basin is a big desert with a total area of 330,000 square kilometers. It is 1,200 kilometers long east to west and 600 kilometers wide north to south. This desert is second only to the Sahara Desert in size. Early in this century, well-known explorer (Si-wen-hedding) [2448 2429 6378 1353] found his way into Taklimakan. Shortly upon arrival in the desert, his seven camels and three assistants succumbed to the elements. Only because he crawled to the side of the Hotan He did he survive. Upon review of this exploration, he fearfully called this big desert the "dead sea."

Through sheer courage, people cannot conquer nature. Beginning from the 1950's, with the help of Soviet experts, the Chinese turned to deserts to look for oil fields. In 1957, a small-sized (Yiqike) like [0181 1142 0344 6849 0344] oilfield was discovered. But after oil spouted from the (Kekeya) oil field, a team of up to 1,000 people again worked in the desert for a few more years, without discovering a large oilfield. People know that oil lies beneath this big desert. But on the sheer strength of

the home-produced trucks of "jiefang" and "hongyan" [red rock] brands, no one dared to break into the desert. There had been many past mistakes to learn from.

Given this history, the then Ministry of Petroleum Industry suggested to the State Council that Chinese-foreign cooperation be used to introduce advanced foreign prospecting technology and equipment with the aim of accelerating the pace of exploration and development of the Tarim Basin. Once approved, the Ministry of Petroleum Industry successively invited four foreign prospecting companies to make an on-the-spot survey of the Tarim Basin to obtain their views. It was finally decided to settle for the U.S. Geophysical Service Company and a contract was signed in early 1982. The contract stipulated that the U.S. company dispatch two geophysical desert-survey teams. [sentence as published] A small computer center and a management team were to start a 3-year geophysical exploration in an area specified by the Chinese side in the Tarim Basin. Each desert-survey team was to consist of 110 people: 11 American and 99 Chinese. Meanwhile, the United States also undertook to get a desert-survey team equipped for China and to give it guidance. Each team was armed with desert cross-country cars of various types, 3 large bulldozers, 33 transmitter-receivers and walkie-talkies, and other appliances and equipment, to guarantee the smooth progress of operations in the desert area. In coordination with desert operations, the CAAC [Chinese American Association of Commerce] put two helicopters in operation conveying relevant personnel, supplying fresh vegetables and fruits, and providing such help as needed. After the expiration of the first contract in 1986, a second 3-year contract was signed. At present, the second contract is being carried out.

Advanced equipment provided by the U.S. has played a tremendous role in the 5 years of desert exploration. Especially worth mentioning are those cross-country cars of various kinds with high horse power, light weight, wide tires, and with a strong capacity to act in coordination and run cross-country. Bulldozers of 300 h.p., with a height of 2.4 meters, are indispensable, as they blaze trails and mend roads when it comes to construction, house-moving and transportation. Without them, every step forward in the desert is tough going. A large-sized transport vehicle with a carrying capacity of as many as 26 tons have wheels higher than a man. In house-moving, it can haul three trailer units at a time like a small train. The "ba-ge" [1572 2706] vehicle most capable of running in the desert has tires one meter wide and one meter high. It moves easily and quickly up and down a sand slope of 70 or 80 degrees. Last to be mentioned are the three generating sets with which each team is equipped. They are the only source of power needed by the survey team. For several years, these three generators operated 24 hours a day without serious problem. They provide warmth in winter and air conditioning in summer, proving very reliable.

#### Cooperation: Westerners and Easterners

After a short period of preparation and training, in June 1983, the U.S. No. 1 team and the U.S. No. 2 team [as published] jointly organized by the Chinese and Americans went across the Tarim He through the neighborhood of Weili. They successively entered the northern end of their respective survey lines. A Chinese team, commanded by Chinese and armed with imported equipment, separately headed for the south of Shaya. It crossed the Tarim He, and also entered the survey line of the desert.

There were many misunderstandings on both sides during the initial stage of cooperation due to language barriers and different habits. The misunderstandings themselves also reflected differences in the two cultural backgrounds.

The U.S. personnel previously worked in Australia and the Sahara Desert. They had a relatively great wealth of experience. For example, they could easily drive a vehicle over large sand dunes. The Chinese workers, handling these desert vehicles for the first time, often performed clumsily. Due to their lack of experience, the vehicles often failed to respond. This difference was the cause of a sense of pride on the part of the Americans. They looked down upon the Chinese.

In vehicle management, the Americans insisted that all keys be returned after work each day. The manager decided who was to drive which car the next day. With no fixed vehicle assigned to each man, the driver often had no strong sense of responsibility in maintaining the vehicle. The rate of vehicle damage rose. Only after the Chinese manager raised the point many times did the American manager finally agree to assign fixed vehicles to individuals.

As to the rest schedule, Chinese workers are in the habit of working flexibly. With work to do, they keep busy. Under the pressure of work, they drive themselves mercilessly. But time is always allowed for a noon nap. The Americans insisted that a regular work schedule be followed: ten hours of work every day, not a minute more or less. Quarrels occurred often over matters such as starting work late, getting off early, taking noon naps, and so forth. In the desert summer, the noon temperature reaches as high as 70 degrees centigrade. Exposed to the sun's heat, people working outside can hardly breathe. Therefore, the Americans also began taking noon naps.

With their experience, the Americans insisted on driving slowly in the desert. To save time though, some young Chinese drivers drove recklessly behind the Americans' backs. Many cars overturned. Later, the Americans had the high-speed adjustments of all cars fixed by solder. This guaranteed safe driving in the desert. But with a return to work on flat land, the use of the high-speed adjustment was still disallowed. The need for efficiency was ignored.



Several years later, both sides came to understand each other and became much closer. People think that the Chinese are too relaxed—so much so that they depart from the rules. The Americans, on the other hand, are too obstinate—so much so that they disregard actual circumstances. Should both sides draw on each other's strengths, they would make a good match.

#### **A Conquest: Desolation and Loneliness Highlighted by Winds and Sand**

The very mention of Taklimakan that stretches endlessly, with its sand flying, sends shivers down the spines of even those "petroleum pros," who once groped, crawled, rolled and fought their way through the Sahara Desert. Climatic and geographic conditions here are worse than other large deserts in the world. First, sand dunes are unevenly distributed. The heights of large dunes can differ by as much as 200-odd meters, making vehicle transportation and camp movement very difficult. Diesel oil, explosives, grain, and fresh water must all be fetched, with the use of handcarts, from the supply points on the edge of the desert. The longest transport distance is 700 or 800 kilometers round-trip. Lop Nur, northeast of the desert, is a big wind gap known in the world. As spring comes every year, a force 8 to 12 wind blows nonstop several days. The trails assiduously carved out with bulldozers are covered by shifting sand. Transport vehicles on their way are often trapped in between sand dunes several days and nights. A man all alone in a car is likely to be stranded in the desolate desert. The longest period of having been trapped is one week. It happened to a big car of the U.S. No 2 team. The relevant team members relied only on two ounces of dried cooked noodles a day to keep alive.

The particles of sand here are extremely fine. As a wind rises, the air is filled with clouds of yellow sand. At its worst, people can not be seen several steps away. After the wind subsides, the dust-like sand takes a long time to settle. People's eyes, ears, noses and mouths are filled with sand.

The Sahara Desert is a large desert. But generally a dug well can bring fresh water. Conditions here are far beyond people's expectations. The groundwater level is very shallow. In low-lying areas, water surges out of a 3-or-4-meter-deep pit worked out with a bulldozer. But the water tastes salty and bitter and is not good for drinking. No matter how deep the well is, the quality of the water remains the same. It is only good for washing the face, for bathing, and for water used on the makeshift space for the helicopter. Fresh water must still be hauled from outside. Or the saline water has to be purified before being put to proper use.

What is most difficult to stand is a sense of loneliness and desertion. Two major features here are: 1) the absence of women, all team members are male; and 2) the absence of green, with an endless expanse of yellow. Life is unchanging and extremely monotonous. Rewards

for working in the desert are pitifully small, except for slightly higher pay. As night comes, it is so quiet that one might hear a pin drop. When it is a festive occasion, people often climb to the top of a dune looking in the direction of their homes far away with thoughts of their own folks.

But no matter what, these people have conquered Taklimakan. When the first contract expired in 1986, three desert survey teams had successively crossed the desert 13 times from north to south and 10 times from east to west, completing 69 seismic sections and fundamentally ascertaining conditions about the geologic structure of the hinterland of the desert. Since the start of the second contract, they have again pitched camps in the desert in relatively fixed areas, making a detailed survey of promising geologic structures, with gratifying results.

#### **Tarim: A Large Oil Basin Buried Deep Underground**

Exploration of the desert hinterland, combined with the work of other seismic prospecting teams on the edge of the desert, has provided a relatively clear idea of the state of oil and gas resources in the Tarim Basin. People have based on this knowledge written 165 comprehensive research reports on geology and geophysics, and have concretely provided several tens of positions for well drilling.

—First, the existence of rich oil and gas resources in the Tarim Basin is confirmed. In other words, this basin is definitely a large oil basin. This provides an important basis for the strategic policy decisions of China's Ministry of Petroleum.

—Second, the levels of the search target for oil and gas resources in the Tarim Basin are clarified, and the direction to look for oil and gas fields is pinpointed, thus accelerating the pace of oil exploration in that area.

—A number of giant-sized structures for the storage of oil and one large nonstructural enclosed area [juan bi 0946 7028] have been found. This is to say that not only rich oil and gas resources exist but also large oil depots. Therefore, geological conditions exist for the formation of large or extra-large oil and gas fields.

—There is an unexpected discovery. Tarim is not only a large oil basin but also a large water basin. In the hinterland of the desert, there exist large areas of surface-layer [qian-ceng 3239 1461] underground water. Water lying two to 10 meters above is mostly alkaline. But there is also a small amount of fresh water. The significance of this discovery is no less than that of the discovery of an oil field. Water can bring an oasis into being in the desert and can hold out the hope for the transformation and utilization of the desert.

The tapping of Tarim oil and gas resources and the comprehensive transformation of the desert represent a strategic project costing a tremendous amount of money.

Every meter of well drilling in the desert calls for an investment of at least 10,000 yuan. Given a depth of more than 6,000 meters for each existing designed well, each well sunk involves an investment of 60 million yuan.

The flow of oil from Tarim will surely stimulate the development of the chemical industry in south and north Xinjiang, the development of railroad and highway construction in the Xinjiang region, and the thriving of all industries and trades in the Xinjiang region. Therefore, the people of Xinjiang and the local authorities put great hopes in the opening up of Tarim. If in economic terms, Tarim fails to generate an annual oil output of 20 million tons, the business of tapping is ruled out. This is because the laying of pipes to convey oil costs a staggering amount of money. So, if the development of Tarim is given up, that may as well be the end of the matter. Given development, it will be an extra-large oilfield that produces a tremendous impact on the whole strategic arrangement for China's industry.

### Soviet Union

#### Shevardnadze Cited on Relations With China

OW2911071288 Beijing RENMIN RIBAO  
in Chinese 26 Nov 88 p 6

[Text] Moscow, 24 Nov (XINHUA)—IZVESTIYA today carries a report on an interview which one of its correspondents had with Soviet Foreign Minister Shevardnadze. The foreign minister answered questions pertaining to the forthcoming visit to the Soviet Union by Chinese Foreign Minister Qian Qichen.

Shevardnadze told the IZVESTIYA reporter: The purpose of the meeting between the Soviet Union and China is to promote political dialogue between the two countries. Such dialogue will be conducted on the basis of friendship, cooperation, and mutual understanding. Discussion will touch not only on bilateral relations but on other international issues as well. The Soviet Union and China are both large countries in the world; they are both permanent members of the UN Security Council and so share a common responsibility in solving major international problems. He held that the "question of military trust and steps" exists in both bilateral relations and international issues. "The meeting will mainly discuss the reduction of military confrontation along the borders between China and the Soviet Union, as well as measures to achieve trust and lessen military tension in the Asia-Pacific region."

Shevardnadze is convinced that when Foreign Minister Qian Qichen visits the Soviet Union, he will be received by Gorbachev. He noted that both China and the Soviet Union have expressed their desire to hold a summit. The question of convening a summit between China and the Soviet Union will play an important role in the meeting between the two foreign ministers.

Shevardnadze asserted that Foreign Minister Qian Qichen's visit to the Soviet Union signifies that the relations between China and the Soviet Union are entering a new phase. He stated: Neither the Soviet Union nor China will act according to the standard of the 1950's. We will look to the future. The Soviet Union will develop its relations with China on the basis of equality; mutual respect for independence, sovereignty, and territorial integrity; noninterference in the internal affairs of the other country; and consideration for the legal rights of the other side. The Soviet point of departure is that the normalization of relations between China and the Soviet Union should not harm relations with any third country.

#### Normalization of Sino-Soviet Ties Viewed

OW2811171388 Beijing XINHUA in English  
1646 GMT 28 Nov 88

["Roundup: Major Event in Sino-Soviet Relations (by Ju Menjun)"—XINHUA headline]

[Text] Beijing, November 28 (XINHUA)—Chinese Foreign Minister Qian Qichen's upcoming visit to Moscow from December 1 to 3, followed by a return visit by Soviet Foreign Minister Eduard Shevardnadze, will be seen as a major event in the Sino-Soviet relations.

The mutual visits by the two foreign ministers, the first in 30 years, will take place after the relations between the two countries experienced setbacks.

The last visit to Moscow by a Chinese foreign minister took place in 1957 when the late Chinese Premier Zhou Enlai, who was also foreign minister then, visited the Soviet Union. Two years later, the then Soviet Foreign Minister Andrey Gromyko came to Beijing, accompanying former Soviet leader Nikita Khrushchev to participate in the celebrations of the 10th anniversary of the founding of the People's Republic of China.

The Sino-Soviet ties have gradually improved since the beginning of the 1980s. In October 1982, the two countries started political consultations on the normalization of relations at the vice-ministerial level and 12 rounds of talks have taken place since then. Last year, the two nations also resumed talks on border issues, which were suspended for nine years.

The past years have also seen mutual visits by deputy premiers of the two countries, resumption of contacts between the two parliaments and progress in the realms of economy, culture, education and sports.

However, the normalization of Sino-Soviet relations has been delayed by the three obstacles—the reduction and withdrawal of Soviet troops from the borders between the two countries and those stationed in Mongolia; the pullout of Soviet troops from Afghanistan and the stopping of Soviet support to Vietnam in its invasion of Kampuchea.



In 1982, the Chinese side declared clearly that a substantial improvement in the Sino-Soviet relations requires the removal by the Soviet side of three obstacles which constitute a menace to China's security.

But, these issues have not been completely solved although there have appeared some indications helpful to the elimination of these obstacles in the past two years.

At present, Vietnam's aggression of Kampuchea is still posing a threat to peace and security in the Southeast Asian region and that such a danger still exists.

The Chinese side has expressed its hope that Moscow would make its efforts to prompt Vietnam to pull out its troops from Kampuchea so as to give an impetus to a just and reasonable settlement of the Kampuchean problem as early as possible. If the meeting between the two foreign ministers brings about positive results, especially in the Kampuchean issue, the Sino-Soviet summit will likely take place on an earlier day, thus bringing about the normalization of relations.

The normalization of relations between Beijing and Moscow conforms to the fundamental interests of the two countries and desires of the two peoples. Currently, both the Soviet Union and China are carrying out across-the-board reforms to speed up the development of their national economies, which require a peaceful external environment, the good-neighborly relations in particular. The normalization of Sino-Soviet relations will pave the way for exchanges and cooperation between the two countries in the political, economic, cultural and scientific fields.

However, the normalization of ties between China and the Soviet Union does not mean a comeback of alliance ties such as that in the 1950s. China pursues an independent and peaceful foreign policy and it is her long-term state policy that China will not form an alliance with any big power or nations' group.

Practice proves that in dealing with [words indistinct]. Also, the Sino-Soviet relations must be based on the five principles of peaceful coexistence.

No doubt, the normalization of Sino-Soviet relations will be conducive to peace in the Asian-Pacific region and the world over, as the international situation is going towards relaxation.

#### **Domestic Service Views Meeting**

OW2811163188 Beijing XINHUA Domestic Service  
in Chinese 1418 GMT 28 Nov 88

["Local broadcast news service—News Roundup: An Important Event in Sino-Soviet Relations"]

[Text] Beijing, 28 Nov (XINHUA)—Following Chinese Foreign Minister Qian Qichen's official visit to the USSR 1-3 December, Soviet Foreign Minister Shevardnadze will also visit China. The last time a Chinese

foreign minister visited the USSR was 1957, when Zhou Enlai visited the USSR in his capacity as premier and foreign minister. The last time a Soviet foreign minister visited China was 1959 when Gromyko, in his capacity as foreign minister, accompanied Khrushchev, first secretary of the CPSU Central Committee, who came to Beijing to take part in the celebrations of the 10th anniversary of the founding of the PRC. Times flies, and decades have gone by. After many twists and turns, Chinese and Soviet foreign ministers will soon resume the exchange of official visits. That will be an important event in Sino-Soviet relations.

Everybody knows that Sino-Soviet relations have travelled a rough road. Since the 1980's the relations between the two countries have gradually improved. In October 1982 China and the USSR began their vice foreign ministerial political consultations on normalizing bilateral relations, and there have been 12 rounds of such talks so far. In February 1987 the two countries resumed their border talks, which had been interrupted for 9 years, and diplomatic representatives of the two countries began discussing the border alignment and achieved some progress. In recent years the two countries' vice premier-level officials have exchanged visits, parliamentary contacts have resumed, and the two countries' relations in the economic, cultural, educational, and sports fields have substantially developed. Sino-Soviet relations, however, have yet to be normalized. That is primarily because of the three major obstacles. In 1982 China clearly stated that in order to achieve any substantive improvement in Sino-Soviet relations, the USSR must do away with three major obstacles threatening China's security by reducing and withdrawing Soviet troops garrisoned in Sino-Soviet border areas and the People's Republic of Mongolia; withdrawing Soviet troops from Afghanistan; and stopping support for Vietnam's aggression in Cambodia. Although there have been some traces of steps toward the removal of these obstacles in the past 2 years, the problems have not been completely settled. The main problem at present is that Vietnam's armed aggression in Cambodia still endangers peace and security in Southeast Asia. China has indicated that it hopes the Soviet Union will exert more practical efforts to compel Vietnam to withdraw its troops from Cambodia at an early date so that the Cambodian issue can be settled justly and rationally as soon as possible. If the meeting of the Chinese and Soviet foreign ministers can proceed smoothly, and especially if they can achieve positive results on the Cambodian issue, the meeting of Chinese and Soviet top leaders [zui gao ji ling tao ren 2584 7559 4787 7325 1418 0086] can be held at an early date and the two countries' relations can be normalized.

#### **Heilongjiang Signs Contracts With Soviet Union**

SK2811045688 Harbin Heilongjiang Provincial  
Service in Mandarin 1000 GMT 26 Nov 88

[Text] The Heilongjiang provincial construction development group has actively opened up construction markets in the Soviet Union and the Far East. So far, it has

signed eight construction projects and labor service contracts with the Soviet Union. The contracted construction area is 40,000 square meters and the labor service charges are equivalent to 11 million yuan in renminbi. So far, personnel are being successively sent to the Soviet Union to begin the construction.

**Prospering Sino-Soviet Border Trade Reported**  
*OW2511202888 Beijing XINHUA in English*  
1615 GMT 25 Nov 88

[Text] Harbin, November 25 (XINHUA)—Trade departments at Heihe, a prefecture on the Sino-Soviet border in Heilongjiang Province signed trade agreements totalling 120 million Swiss francs in the first 10 months of this year, a local trade official announced today.

Trade contacts between people on both sides of the border date back to the 1880s. But the interflow was suspended when China's catastrophic ten-year "Cultural Revolution" broke out in 1966.

The regional government has worked out eight preferential policies for the growth of bilateral trade and built up barter trade contacts with its counterparts in the Soviet Union in September last year.

So far, products manufactured by 495 enterprises in China's 18 provinces have been exported to the Soviet Union from the prefecture.

Meanwhile, Heihe has signed over 20 cooperation projects with the Amur Region of the Soviet Union covering the fields of labor service, processing and tourism.

Last month, about 400 construction workers left the region for the Soviet Union. Plans for such joint ventures as a beverage plant, a canned food factory and a Chinese restaurant in the Soviet Union are well under way.

To facilitate trade between the two countries, the region expanded a local airport and reopened an air route between Heihe and Harbin, capital of Heilongjiang, earlier this month.

A railway section between Heihe and Beian is expected to be completed by September next year to further facilitate the interflow of goods between the Soviet Union and China.

**Northeast Asia**

**Paper Views Possible Korean Peninsula Talks**  
*HK2911105288 Hong Kong LIAOWANG OVERSEAS*  
*EDITION in Chinese No 48, 28 Nov 88 p 23*

[Article by Hua Xu (5478 2485): "The Way to the Realization of Peace on the Korean Peninsula"]

[Text] Korean Premier Yi Kun-mo sent a letter to South Korean Prime Minister Yi Hyon-chae on 16 November, suggesting that both sides hold high-level political and

military talks in mid-December to discuss a package peace plan put forth by the North. The talks will help relax the situation of political and military confrontation between both sides and create conditions for high-level talks.

On 7 November, North Korea put forth four principles and a package peace plan for relaxing tension and ensuring peace on the Korean peninsula. The four principles are: The reunification of the country should be regarded as the objective of peace on the Korean peninsula; peace on this peninsula should be guaranteed by the withdrawal of foreign armed forces; peace on this peninsula should be guaranteed by the disarmament in both the North and the South; and peace on this peninsula should be realized through the dialogue between the parties responsible for the aggravation of tension there. The package peace plan is: By the end of 1991, the United States should withdraw the nuclear weapons it has deployed in South Korea and the U.S. forces stationed there in three stages, and both North and South should reduce their military forces to less than 100,000 in three stages. This is the most concrete and overall plan put forth by North Korea in recent years for the solution of the Korean issue. It points out a reasonable channel for realizing peace on the Korean peninsula and is thus widely welcomed and supported by the Korean people and world opinion.

Since the Korean peninsula was divided into two, military confrontation between North and South has never been weakened. An urgent matter at present is to adopt realistic measures to eliminate military confrontation and ensure peace on this peninsula. It has always been a consistent stand of North Korea to relax military confrontation and realize everlasting peace on the Korean peninsula so that there can be a solid foundation for the peaceful reunification of Korea. It has put forth a series of proposals on this question. The pity is that the United States and South Korea have been insisting on their own stand and have not made a positive response toward those proposals. That is why the tense situation on the Korean peninsula has not yet been relaxed even to this day.

The political and military confrontation on the Korean peninsula has brought about great mental scars and material burdens to the people on both sides, who are longing for peaceful reunification of the motherland. Continuing the confrontation is not in conformity with the fundamental interests of the people, nor with the world trend of dialogue and relaxation. Facts prove that the dialogue between various parties concerned, rather than confrontation, is the only correct way to realize peaceful reunification of Korea.

People have noticed that recently, a breeze of relaxation has begun to blow and the trend of further dialogue has been developing on the Korean peninsula. On 4 October, South Korean President No Tae-u said he was willing to pay a visit to Pyongyang and hold talks with President

Kim Il-song to discuss matters concerning the nonaggression declaration of both sides and all other outstanding questions on the reunification of Korea. This was welcomed by North Korea. On 17 November, representatives of the north and south parliaments held their sixth meeting to make preparations for the parliamentary talks. Through negotiations, both sides reached an agreement on some questions. Although no practical results have ever been achieved, a certain progress has been made. This shows that the trend of substituting confrontation with dialogue is developing. People are expecting the parties concerned to hold sincere dialogues so that a new situation of relaxation can appear on the Korean peninsula and the peaceful reunification of Korea can be realized and so that peace in Asia and the world can be benefited.

**Wu Xueqian Meets Japanese Politician, Delegation**  
*OW2811201088 Beijing XINHUA in English*  
1251 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—Wu Xueqian, member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee and vice-premier of the State Council, met Makoto Tanabe, former secretary-general of the Japanese Socialist Party and member of the House of Representatives, and his party here this evening.

Both sides exchanged views on international issues of common interest.

The Japanese guests arrived here November 27 at the invitation of the Liaison Department of the CPC Central Committee.

**Japanese Companies Face Trade Difficulties**  
*OW2811133088 Tokyo KYODO in English*  
1134 GMT 28 Nov 88

[Text] Shanghai, Nov. 28 KYODO—China is expected to reverse its longstanding trade deficit with Japan this year, but many difficulties still hamper trade between the two countries, informed sources said Monday [28 November].

This year Chinese exports to Japan have increased with the help of rapidly growing textile products along with industrial raw materials and chemicals, while most Japanese exports to China have remained stagnant partly due to the rising value of the yen, the sources said.

In the first three quarters of this year, Chinese exports to Japan reached 7.2 billion dollars, a rise of 38 percent compared with the same period a year ago, statistics from the Japan External Trade Organization show.

Chinese imports from Japan during the same period totaled 6.5 billion dollars, up only 12 percent compared with the same period last year, giving China a 700 million dollar surplus for the January to September period.

In 1985, China's deficit on trade with Japan peaked at 6 billion dollars and caused serious friction between Beijing and Tokyo.

"Japan is losing out in China," says one Chinese trade official in Beijing.

Greater resistance from Chinese companies to buying Japanese products and stronger competition from U.S. and European companies have helped to reduce imports from Japan, he says.

"In the past, Chinese importers of industrial equipment would often buy Japanese without a second thought, but that is no longer the case," he says in reference to Japan's strong lead in sales of these products to China during the early 1980s.

Increased restrictions on imports of many goods like vehicles and consumer durables which helped to give Japan a huge trade surplus have also reduced growth potential, says one Japanese trade official in Shanghai.

Most of Japan's main general trading companies with offices in the city have given up on trying to expand sales in China, he says, and have shifted instead to buying from China.

But he says even the potential for growth in sales to Japan is limited at the moment, not by the size of Japanese demand, but by the inability of China to supply needed goods.

Limited supplies of raw materials, poor production facilities and inadequate transport all reduce China's ability to satisfy growing demand, the official said. Sino-Japanese trade was entering a period of more stable development compared with the wild swings which have occurred since the late 1970s, he said.

Export growth for both sides will be slower and less dramatic in coming years, he added.

**Mongolian Border Treaty Signed in Beijing**  
*OW2811201988 Beijing XINHUA in English*  
1530 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—A treaty on the border system and on solution of border issues was signed between the Chinese and Mongolian Governments here this afternoon.

This treaty represents the first that China has ever signed with a neighboring country on the border system and on settlement of border questions.



The treaty stipulates that it is aimed at maintaining the stability of the Sino-Mongolian border and peace in the border region, and at making the two sides abide by the border system and solve border issues on the principle of mutual understanding and cooperation. It also stipulates regulations on solving border issues and other related affairs.

Chinese Deputy Foreign Minister Liu Shuqing and Mongolian First Deputy Foreign Minister Daramyn Yundong added their signatures to the document on behalf of their respective governments, with Chinese Foreign Minister Qian Qichen present on the occasion.

After the signing ceremony, Chinese Vice-Premier Wu Xueqian met the Mongolian deputy minister.

Yundong noted that the treaty is of real importance to maintaining stability and peace in the border area.

Wu said that the document is conducive to strengthening stability in the border area and promoting development of the friendly relations between the two countries.

Prior to the signing ceremony, Qian Qichen also met Yundong, and both expressed their satisfaction over the improvement and development of bilateral relations in recent years through joint efforts.

Yundong said that Mongolia has only two neighboring countries, one on the north and the other on the south. Mongolia, he went on, is willing to maintain friendly ties with both China and the Soviet Union, and also wishes to see these two countries further improve their bilateral relations.

He wished success for Qian's forthcoming visit to the Soviet Union in December.

Qian said that China hopes that Sino-Mongolian relations will continue to advance on the basis of the five principle of peaceful co-existence and that the two countries will conduct economic cooperation to their mutual advantage.

Yundong said that joint ventures can be established in Mongolia between Mongolia, China and the Soviet Union.

Qian said China will take this into consideration.

Yundong is here as a guest of the Chinese Foreign Ministry. Prior to his arrival, he toured China's Inner Mongolia Autonomous Region.

## Southeast Asia & Pacific

**Li Peng Visit Strengthens Southeast Asia Ties**  
HK2811133688 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1451 GMT 24 Nov 88

["Roundup" by ZHONGGUO XINWEN SHE reporter Wang Xiaohui (3769 2556 2547): "Traveling 30,000 Kms To Seek Friendship"]

[Text] Auckland, 24 Nov (ZHONGGUO XINWEN SHE)—The Chinese Prime Minister Li Peng today finished his first visit abroad since he took the premiership, and left here for home by a special plane.

Over the past half month, Li Peng successively visited nine cities in Thailand, Australia and New Zealand, traveling 30,000 kms. Government and nongovernment personages of the three guest countries felt honored to receive the first visit of the new Chinese prime minister. Li Peng chose these three countries for his first visit. This shows that China has attached great importance to its relations with them.

The Cambodian issue was the main topic for discussion during the first talk between the Chinese and Thai Governments. The second day after his arrival in Thailand, Li Peng put forward China's view on the Cambodian issue: Vietnam must present a satisfactory timetable for troop withdrawal; the future Cambodian Government should promote the 4-party coalition under the auspices of Prince Sihanouk; after the establishment of the new government, the troops of each party must be frozen to guarantee a free election of the Cambodian people under truly effective international supervision. According to the views of China, Vietnam's troop withdrawal from Cambodia by the end of next June will be the most satisfactory timetable. The armed forces retained by each side must not exceed 10,000. With regard to the Cambodian issue, Li Peng reiterated that China would never seek any private gains. In New Zealand, he frankly admitted that China and some other countries had supplied the three Cambodian resistance parties with military aid. After that, he issued a statement that if Vietnam withdrew its troops from Cambodia under truly effective international supervision, China's military aid would be gradually reduced with the progress of troop withdrawal.

During his Thailand visit, Premier Li Peng expressed China's desires for developing good-neighborly relations with developing countries and the ASEAN countries, and raised the four principles for China getting along with various ASEAN countries. Under the prerequisite of the five principles for peaceful coexistence, China wishes to establish, restore and further develop relations with various ASEAN countries despite their differences in social systems. Li Peng particularly stressed China's intention of becoming an important partner of economic cooperation of various ASEAN countries.



In Australia, leaders of both sides talked about the issue of economic cooperation. Trade volume between China and Australia has reached more than \$1.6 billion, and Australia has become China's fourth biggest trade partner. China's two biggest investment projects abroad are in Australia. According to Li Peng's analysis, China has a vast market, and its labor force is cheap, and has strengths in light industry, textiles, electrical machinery, and so on. Australia is rich in resources and advanced in technology. Its mining, agriculture and animal husbandry are developed. Economically, the fact that China and Australia help supply each other's needs is not only possible, but also promising. Therefore, the night Li Peng arrived in Australia, he announced that China would be a long-term and stable market of Australian iron ore for export. Australian Prime Minister Hawke has been very enthusiastic in developing economic and trade relations with China. After the talks, Australian Prime Minister Hawke revealed that China's "Long March" rocket would carry Australia's "Australian Star II" communication satellite into orbit. This will be a cooperation between China and Australia in the new field. The two governments signed an agreement on the avoidance of a double tariff, and a fishing agreement. They will provide more possibilities for further economic and trade cooperation between China and Australia.

In New Zealand, Premier Li Peng announced at a state banquet in his honor hosted by Premier Lange China's "five supports" for various South Pacific countries. The main theme is that China is willing to become a sincere friend and partner of friendly cooperation of various South Pacific countries.

The problem of the Chinese was another issue which Premier Li Peng expounded upon during his visit to the three countries. There are Chinese residing in Thailand, Australia and New Zealand. The motherland of the Chinese in these countries is not China, but in the respective country where they reside. The Chinese in these countries should live and work in peace and contentment, and make contributions to the countries where they reside. This viewpoint expounded by Li Peng is beneficial to developing friendly relations with countries where some Chinese reside.

The trip which covered 30,000 kms was well worthwhile. Just as Li Peng expected when he left Beijing, his visit contributed to the existing friendly relations with Thailand, Australia, and New Zealand.

**LIAOWANG on Li Peng's Visit to Thailand**  
*HK2811055388 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 47, 21 Nov 88 p 5*

["Special dispatch" by Ma Shengrong (7456 0524 2837) and Huang Yong (7806 0516): "Premier Li Peng's First Visit to Thailand"]

[Text] Bangkok, 14 Nov—Chinese Premier Li Peng waved farewell to Thai top officials, including Thai Prime Minister Chatchai Chunhawan, while stepping

steadily aboard a Boeing 707, a special plane bound for Australia and New Zealand, which constitute two of the three Asia-Pacific countries scheduled for his visits.

Phichai Rattakun, Thai deputy prime minister and chairman of the Thai committee to welcome Li Peng, told these two reporters at the airport: "Li Peng's visit has indeed been successful in terms of political and trade cooperation." He said that the prime ministers of the two countries had discussed this issue, adding that "there is still great potential in economic cooperation between Thailand and China." "In the political field, they discussed the Cambodian issue and reached unanimity of understanding on the principles for resolving this issue."

Thailand was the first country he visited since he formally assumed the premiership in April this year. As Deputy Prime Minister Phichai said, his visit has strengthened the political and economic cooperation that already existed between Thailand and China.

The Chinese and Thai peoples have established a profound friendship through long years of friendly relations. Since they established diplomatic relations, the two countries have trusted each other and developed their relations. Both Premier Li Peng and Prime Minister Chatchai Chunhawan expressed the hope of contributing to the further development of bilateral relations, as their predecessors did.

In open speeches and at formal talks, the two prime ministers said that they would expand the economic and trade cooperation between the two countries. Premier Li Peng remarked: "China and Thailand are developing countries. Thailand's economy has developed fast over the last few years. China will learn from its experience in economic development." Prime Minister Chatchai pointed out that there were bright prospects for economic cooperation between the two countries and that the Thai Government would make further efforts toward this end.

Vietnam's aggression against Cambodia has constituted a serious threat to peace and security in Asia, particularly in the Southeast Asia region. China and Thailand are resolutely opposed to Vietnam's aggression and, together with the international community, support the Cambodian people in their just struggle against aggression and for national self-determination. During his visit to Thailand Premier Li Peng reiterated China's stand on the Cambodian issue, urged Vietnam to work out a schedule for an early troop withdrawal from Cambodia, expressed support for the formation of a Cambodian quadripartite coalition government headed by Prince Sihanouk, and agreed with the idea of conducting free elections and carrying out effective international supervision in Cambodia.

Premier Li Peng called on the "Vietnamese authorities to judge the hour and size up the situation, to make an early judgment, and to withdraw their troops from Cambodia as early as possible." "After Vietnam withdraws its troops from Cambodia," he added, "foreign military aid to all groups in Cambodia must stop." At a press conference during the conclusion of his visit, he announced: "China does not support the idea of the Khmer Rouge coming to power alone, nor is it in favor of the Heng Samrin regime holding power alone. We stand for the formation of a quadripartite coalition government headed by Prince Sihanouk."

During their talks, Prime Minister Chatchai said that Thailand would persist in its consistent policy on the Cambodian issue, adding that "Vietnam should withdraw its troops from Cambodia as early as possible."

As many people here have pointed out, China and Thailand's stand is just and their purpose is to eliminate the Cambodian hot spot. Vietnam should make a positive response. Premier Li Peng's visit to Thailand has strengthened friendly cooperation between the two countries and will help find a political solution to the Cambodian issue. Apart from this, his visit will also deepen mutual understanding between China and other ASEAN countries.

Premier Li Peng pointed out: "China's stand on the Cambodian issue is aimed completely at safeguarding international norms and regional peace. It is not for the purpose of seeking control. Similarly, for the common goal of peace and development, China values highly its friendly relations with ASEAN. This policy will remain unchanged not for now only, but also after the settlement of the Cambodian issue." He announced four principles for developing relations between China and the ASEAN countries as follows: 1) In state relations, the five principles of peaceful coexistence should be strictly observed; 2) hegemonism must be resolutely opposed under all circumstances; 3) in economic relations, it is necessary to abide by the principle of mutual benefit and common development; and 4) in international affairs, the principle of independence, mutual respect, close cooperation, and mutual support should be observed.

Great development has been witnessed in the relations between China and the ASEAN countries over the last 10 years. China has established diplomatic relations with Thailand, the Philippines, and Malaysia, and their friendly cooperation has developed smoothly. Economic and other relations between China and the other three ASEAN countries, comprising Singapore, Indonesia, and Brunei, have also developed to different degrees despite the fact that they have not established diplomatic relations. As some political observers here pointed out, apart from being beneficial to the development of current relations between China and the ASEAN countries, the four principles announced by Premier Li Peng will also lay the foundation for the further development of their relations after the settlement of the Cambodian issue.

Prior to the conclusion of his visit to Thailand, Premier Li Peng told a group of reporters: "The anticipated results of my current visit have been achieved and will further deepen the friendly cooperation that already exists between the two countries."

Many people pointed out that relations between the two countries are steadily developing in various fields. In addition, China is making efforts to develop its cooperation with the other ASEAN countries as well as with countries in Asia, the Pacific region, and the rest of the world. Through long years of common effort, China and peace-loving countries in the world have realized a great change, in which confrontation is turning into dialogue and tension is turning into relaxation. China's hope for developing relations with this region is sincere. These cooperative relations are expected to develop more rapidly after Premier Li Peng's visits.

**Qin Jiwei Comments on Relations With Vietnam**  
*BK2911093588 Bangkok ZHONG HUA RIBAO*  
*in Chinese 27 Nov 88 p 4*

[Text] Informed military sources said that during the visit to China by the Thai military delegation led by General Chawalit Yongchaiyut, army commander in chief and acting supreme commander, Chinese Defense Minister Qin Jiwei assured General Chawalit that China will reject Vietnam's proposal for normalizing relations until Vietnam withdraws all of its troops from Cambodia to allow the Cambodian problem to be resolved through negotiations.

The source said that General Qin Jiwei also told General Chawalit that if Vietnam continues to adopt its delaying tactics for its troops withdrawal, attempts by China and the USSR to improve ties will finally isolate Vietnam.

The sources said that Chinese Chief of General Staff Chi Haotain told General Chawalit during a meeting that Chinese and Vietnamese troops still clash occasionally at sea and border areas.

General Chawalit and the military delegation left China for home last night.

**News Analysis of Philippine Political Tensions**  
*OW2811050188 Beijing XINHUA in English*  
*0733 GMT 22 Nov 88*

["News Analysis: New Move Triggers Old Grudge (by Zhai Shuyao)"]—XINHUA headline]

[Text] Manila, November 27 (XINHUA)—The newly announced reorganization of the leadership of the Philippine House of Representatives by House Speaker Ramon Mitra has triggered off a bitter rivalry between the two biggest political parties in the ruling coalition of President Corazon Aquino—the Laban ng Demokratikong Pilipino (LDP or Struggle of Democratic Filipinos) and the Liberal Party (LP).

Mitra, LDP president, revamped, on November 24, all standing committees of the 204-man House and appointed LDP representatives their chairmanships. LP members were stripped of chairmanships in eight House committees.

LDP's assumption of the remaining committees held by non-LDP members, Mitra explained, gave the administration party "full responsibility" for the direction and programs of the Aquino administration.

The following day, Senate President Jovito Salonga, who is LP president, accused speaker Mitra of imposing a "one-party system of dictatorship" in the House.

"They have committed an act of injustice in the House. The coalition has collapsed in the House," Salonga said.

Salonga's party mates and allies in the Senate joined him in denouncing the LDP's action. Senator Joseph Estrada of the LP even does not preclude the possibility that the LP will become the "constructive opposition" that could supplant, absorb, or merge with the opposition parties.

Another senator, Ernesto Maceda, also of the LP, said the realignment of forces in the House shows that speaker Mitra is "dead serious on his presidential aspirations."

But the LDP turned the tables on the LP, accusing it of meddling in a "purely internal affair" of the House.

The rivalry between the LDP and the LP has long become evident.

The LDP, officially formed in September this year in a move to consolidate the ruling coalition, has been envisioned as the single pro-administration political party. It is a merger of the bigger faction of the Philippine Democratic Party-Laban (PDP-Laban) and the Lakas ng Bansa (People's Power), the then biggest parties in the ruling coalition.

But the LP and several political parties in the ruling coalition objected to the formation of a single pro-administration party.

The LP has strengthened its political position as it entered into a tactical coalition with a smaller faction of the PDP-Laban, the National Union of Christian Democrats, Bandila, and the pro-administration faction of the United Nationalist Democratic Organization. Both LDP and LP have vowed to support the Aquino administration, but they have taken contrasting stands and views on several key issues.

The LDP-LP rivalry has evolved into a power struggle to control the political spectrum, which includes the network of local governments and congresses. Now, the LDP has taken control of the House, while the LP has effective control of the Senate.

They have been at odds on the date of the next Barangay (township) election in what appeared to be a move to control the more than 42,000 townships all over the country. Both know that the political party that wins majority of the townships has better chances to win in the coming presidential, national, and local polls in 1992. But the two parties recently came out with a compromise date to hold the first ever township election under the Aquino administration on March 28 next year.

It was reported in the Manila press that key LDP leaders, especially House Representative Jose Cojuangco, LDP secretary general and younger brother of President Aquino, and House Majority Floor Leader Francisco Sumulong, have been instigating the replacement of Salonga as the country's third highest political leader, next to the President and Vice President.

It was also reported that the LDP leaders have been recruiting Senators to muster an LDP majority in the Senate, but they failed since many Senators have opted to stay with the LP, align with it, or stay independent than join the LDP.

The LDP-LP rivalry also manifests in their current campaign to recruit local officials. The LDP appeared to have gained the upper hand as about three-fourths of the country's local officials in 73 provinces, 3 sub-provinces, 60 cities, and over 1,500 towns have opted to join the LDP.

The LDP-LP rivalry is being seen as a prelude to the 1992 presidential elections. The two largest political parties are now preparing for the crucial elections by establishing their respective political machineries.

It has long been noted that the LDP-LP rivalry has spilled over to key issues, like the presence of U.S. military bases here. The LP has taken the stand that the U.S. military bases here must be dismantled upon the termination of the military bases agreement in 1991. The LDP is quite silent on the issue, as it has virtually adopted the "I'll keep my options open" policy of the President.

On level of supporting the President, the LDP's support is considered unilateral and without reservations. The LP has taken the position of "cooperative but not subservient."

### Near East & South Asia

**Syrian President Receives NPC Delegation**  
OW2811200888 Beijing XINHUA in English  
0750 GMT 28 Nov 88

[Text] Damascus, November 27 (XINHUA)—Syrian President Hafiz al-Asad received here today the visiting Chinese delegation of the National People's Congress (NPC) led by Liao Hansheng.



During the meeting, Liao Hansheng, vice-chairman of the NPC Standing Committee, stressed China's support for the Arab just cause and expressed the hope for boosting existing relations between China and Syria.

Al-Asad in the talks praised China's stand in supporting Arab people's struggle against colonialism and imperialism as well as the Israeli aggression.

The meeting also dealt with the Middle East situation and other world problems.

The Chinese delegation is due to leave here this evening following a 4-day visit to Syria.

### Sub-Saharan Africa

**Qian Qichen Fetes Zimbabwean Foreign Minister**  
*OW2911101388 Beijing XINHUA in English*  
1450 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—Chinese Foreign Minister Qian Qichen said here today China welcomes the momentum of relaxation of tension in Southern Africa and the progress toward a political settlement of the Angola and Namibia issues.

"The Chinese Government and people appreciate [words indistinct] concerted efforts with a view to forcing the South African authorities to abolish apartheid, put an early end to their illegal occupation of Namibia and completely stop threat and harassment against the frontline states so that peace and stability can be realized in the entire region.

Shamuyarira said the Zimbabwean Government thanked China for its support to the liberation movement in Southern African and its cooperation with Zimbabwe in bringing an end to regional conflicts.

Referring to bilateral relations, the Zimbabwean minister pointed out that the diversified Sino-Zimbabwean cooperation has been strengthened in depth and width.

Prior to the dinner the two ministers held talks on bilateral relations and the interantional situation.

**Yang Rudai, CPC Delegation Depart for Africa**  
*OW2811202488 Beijing XINHUA in English*  
1518 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—A delegation from the Communist Party of China (CPC) left here this evening for visits to Zambia, Tanzania and Ethiopia.

The delegation is headed by Yang Rudai, member of the Political Bureau of the CPC Central Committee.

Yang, as the special envoy of Chinese President Yang Shangkun, will also attend the celebrations of Kenya's 25th anniversary of independence at the invitation of Kenyan President Daniel arap Moi.

### West Europe

**UK's Channon To Discuss Transport Development**  
*OW2911032388 Beijing XINHUA in English*  
0037 GMT 29 Nov 88

[Text] London, November 28 (XINHUA)—British Transport Secretary Paul Channon left here today on visits to China and Hong Kong to boost the efforts of British companies wishing to cooperate in major transport development plans.

The secretary is accompanied by a group of businessmen representing these companies and he will be joined during his visit in China by local representatives of other British firms.

During his stay in China from November 30 to December 6, Channon will tour Beijing, the capital, Shanghai, China's largest city, Tianjin and Guangzhou (Canton).

British officials said that Channon will discuss with Chinese Government ministers and mayors various development projects of urban metros, railway and port, and air services.

"I hope my visit will demonstrate the capacity of British industry not only to supply and operate transport equipment to the highest standards, but also to contribute consultancy, design and project management services," Channon told a press conference in London last week.

"The Chinese Government rightly attaches great importance to the development of the country's transport system, and this is reflected in the high priority given to transport improvement in the current five year plan," he added.

Channon said that most of the projects were still at a discussion stage and he expected that agreement would be reached on one or two small projects during the visit.

Before going to China, Channon will pay a two-day visit to Hong Kong. He will discuss with the government and developers on British involvement in port, airport and surface transport developments in Hong Kong.

**Joint Dairy Project With FRG Progresses**  
*OW2611194088 Beijing XINHUA in English*  
1529 GMT 26 Nov 88

[Text] Jinan, November 26 (XINHUA)—Some 200 head of black and white milk cows from the Federal Republic of Germany (FRG) have settled down on the fertile land of the Yellow River Delta and have given birth to 154 calves since last year.

They were sent to Dongying City, in east Shandong Province, in December 1987 under a contract signed in 1985 between the Ministry of Agriculture, Animal Husbandry and Fisheries, and a German firm.

This joint project aims to transform the saline-alkali land on the Yellow River Delta into forage grassland and natural pasture, and to improve the supply of milk and beef to people working in the Shengli Oilfield on the Yellow River Delta.

The delta is blessed with rich underground oil and gas, vast grassland and rich water resources, and has good natural conditions for developing animal husbandry.

In the past few years modern cattle-breeding facilities have been completed at several farms on the delta, with a total German aid of 4.2 million mark and 4.7 million yuan from the Chinese side.

The cows have produced 620,000 liters of fresh milk in less than a year, and many of them have achieved second pregnancies through artificial insemination.

**Sino-Foreign Egg Products Plant Planned**  
*OW2611043288 Beijing XINHUA in English*  
1225 GMT 25 Nov 88

[Text] Beijing, November 25 (XINHUA)—Beijing is to build a Sino-foreign egg products plant in suburban Shunyi County.

A contract to this effect was signed here Thursday.

The Beijing International Egg Products Processing Company Ltd., the first Sino-foreign joint venture of its kind in China, will be set up with 7.86 million U.S. dollars in investment from Belgium and Federal Germany. Beijing's Zhengda Imports and Exports Service Company and Shunyi County.

The plant, to be completed before the end of next year, is designed to process 6,900 tons of fresh eggs annually into complete egg powder, egg white powder and yolk powder, as well as to produce lysozyme (the basic protein in egg white).

According to the contract, 70 percent of the products will be exported. General Manager of the Zhengda Company Li Jianzhang said the plant's products will go to the food industry, military production and research institutions.

Lysozyme is an indispensable raw material for the pharmaceutical industry, the general manager said.

**Scholar Luo Niansheng Honored in Greece**  
*OW2511203388 Beijing XINHUA in English*  
1604 GMT 25 Nov 88

[Text] Athens, November 25 (XINHUA)—The Athens Panteios Higher School of Political Science has awarded Luo Niansheng, a renowned Chinese researcher of the ancient Greek culture, the title of honorary professor.

Presenting the credentials to Luo at a ceremony today, the school's rector, Georg Kontogeorgy, said that he and his school admire Luo's nearly 60 years of creative works on ancient Greek art and literature.

Luo is the fifth foreign scholar to receive the title of honorary professor from the Panteios School, one of Greece's main educational institutions.

The 84-year-old Chinese scholar learned ancient Greek at the American School of Classical Studies in Athens in the early 1930s and has dedicated his study to ancient Greek art and literature.

He has translated into Chinese more than 30 ancient Greek comedies and tragedies, dozens of ancient Greek novels, prose, poems and fables. His first translation of a Greek drama was published in China in 1933.

Early this year, the Chinese scholar was bestowed an art and literature award by the Athens Academy of Social Sciences in honor of his 60 years of work on Greek culture.

**East Europe**

**Beijing Reception Marks Yugoslav Republic Day**  
*OW2811202188 Beijing XINHUA in English*  
1502 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—The Chinese People's Association for Friendship With Foreign Countries (CPAFFC) hosted a reception here this evening to celebrate the 45th republic day of Yugoslavia.

In his toast, President of the CPAFFC Zhang Wenjin said that the Chinese people who have enjoyed long-term friendship with the Yugoslav people attach great importance to the achievements Yugoslavia has made in socialist construction.

He noted that people-to-people contacts continue to increase between the two countries, with 13 pairs of provinces and cities having established formal friendly ties. This, Zhang said, has helped promote mutual understanding and friendship between the two countries and the two peoples.

Also speaking at the reception was Yugoslav Ambassador to China Zvone Dragan.

**CSSR Party Officials Brief Jiangxi Leaders**  
*OW2811131888 Nanchang Jiangxi Provincial Service  
in Mandarin 1100 GMT 23 Nov 88*

[By reporter Cheng Chu]

[Text] The Jiangxi Provincial CPC Committee's Party School held a report meeting on the morning of 23 November. During the meeting, (Senkyr) and (Dvorak), reporters from the Central Committee of the Communist Party of Czechoslovakia visiting Jiangxi, reported on the economic reform and ideology in Czechoslovakia.

(Xiao Keming), vice president of the party school, officiated the meeting. (Senkyr), secretary of the North Czech Region in charge of ideology, made a report on the pressing tasks confronting his party in its ideology while carrying out a comprehensive reform of the socialist society. (Dvorak), reporter of the Central Committee and director of the Political Economy Teaching and

Research Section of the Central Advanced Political Academy, reported on the reform of economic mechanisms and main components of the party's current economic policy.

Some 280 party member cadres engaged in theoretical study or in charge of ideological and political work in Jiangxi listened to the reports and asked questions about the economic structural reform and political and ideological work in Czechoslovakia. (Senkyr) and (Dvorak) answered the questions with candor.

The CSSR party officials arrived in Nanchang on 22 November on a 3-day visit to Jiangxi at the CPC's invitation. Liu Fangren, deputy secretary of the Provincial Party Committee, and Wang Taihua, standing committee member and director of the propaganda department of the provincial party committee, met and had a cordial talk with the CSSR officials at Jiangxi Guesthouse on the afternoon of 22 November. Liu Fangren extended a warm welcome to the CSSR officials and thanked them for their reports. He also briefed the Czechoslovakian visitors on Jiangxi's political and economic situation.



## Li Peng, Yao Yilin Address Planning Conference

### Joint Opening Session

OW2811190288 Beijing Domestic Service  
in Mandarin 1030 GMT 28 Nov 88

[By station reporter Wang Lianxi]

[Text] The National Planning Conference and the National Economic Restructuring Conference opened simultaneously in Beijing today. Premier Li Peng chaired the joint opening session. Yao Yilin, vice premier and minister in charge of the State Planning Commission, made a report, calling for serious effort to implement the guidelines of the 3rd Plenary Session of the 13th CPC Central Committee and to draw up a plan for the year of 1989.

Comrade Li Peng spoke at the meeting: In line with the guidelines of the 3rd Plenary Session of the 13th CPC Central Committee, in the past 2 months the State Council has adopted and enacted a number of measures and regulations concerning finance, banking, production, commerce, and people's living, to make central policy more tangible. All localities and departments have done a lot of work in implementing the guidelines of the 3rd Plenary Session of the 13th CPC Central Committee and the various measures and regulations of the State Council, and have begun to see some results. But all this is only a beginning: The progress is rather uneven. The main goal of these conferences is to further implement the guidelines of the 3rd Plenary Session of the 13th CPC Central Committee.

Li Peng pointed out: Improving the economic environment and rectifying economic order is in fact a kind of realignment. This realignment will inevitably require certain bureaus and ministries to make some temporary and necessary concessions in return for long-term, steady economic development. The CPC Central Committee and the State Council ask that in these two conferences all localities and departments further unify thinking on the basis of the guidelines of the 3rd Plenary Session of the 13th CPC Central Committee and make sure these measures are really carried out. We must cling to the principle that the part must be subordinated to the whole, be of one mind and one heart, and act together to overcome difficulties and bring our reform and construction onto a normal and healthy path.

In his report, Comrade Yao Yilin pointed out: This year the general situation is good. Social production is continuing to grow. With growth in production, the people's living continues to improve. At the same time, however, the economy has encountered many difficulties and problems that can not be overlooked, most prominent of which are that inflation has apparently turned for the worse and price hikes have begun to get out of hand.

The main problems with leading cadres at various levels is that they underestimate the economic problems and are still not mentally prepared to pay the necessary price to control inflation. This is why some localities and units are still waiting, watching, and acting perfunctorily. Most localities and units have yet to show great determination.

Regarding the guidelines for next year's planning, Yao Yilin said: The main objectives and basic tasks for next year are to gradually cool the overheated economic activities, make sure that next year's price rises will be noticeably lower than those of this year, and strive to realize a good agricultural harvest. We should earnestly curtail excessive total social demands and tighten the money supply. We should rationally realign the economic structure so to improve the relationship between economic sectors and achieve better economic performance. Cleaning up the economic environment and improving economic order should proceed at the same time as deepening reform in all fields.

Comrade Yao Yilin also discussed the several projects to be accomplished in continuing to restructure the economic system next year. He said: First, we must actively promote enterprise reform. We should emphasize improving and promoting contractual operations in enterprises, and encourage enterprises to merge and form enterprise groups so as to optimize enterprises' organizational functions. Second, we should energetically improve order in the sphere of circulation. We should firmly liquidate and consolidate companies in order to reduce the number of middlemen and sternly stop all types of illegal operations. Third, we must promote those measures that are effective for controlling inflation.

Tian Jiyun, Li Tieying, Ding Guangen, Zhang Jingfu, Wang Bingqian, Li Guixian, and Zhou Jiahua were also present at the meeting.

### Li Peng Presides

OW2911033288 Beijing XINHUA Domestic Service  
in Chinese 1514 GMT 28 Nov 88

[By RENMIN RIBAO reporter Jiang Xiaogao and XINHUA reporter Xu Yaozhong]

[Text] Beijing, 28 Nov (XINHUA)—The National Planning Conference and the National Economic Restructuring Conference held by the State Council opened simultaneously in Beijing today. Premier Li Peng presided over the opening session. Vice Premier of the State Council Yao Yilin delivered a speech, entitled: "Conscientiously Implement the Guideline of the 3d Plenary Session of the 13th National CPC Congress, Do a Good Job in Drawing Up the 1989 Plan."

The main topic of the two conferences is to discuss and draw up the 1989 plan for national economic and social development, and discuss and carry out planning on

economic structural reforms in line with the guideline of the 3d Plenary Session of the 13th CPC Central Committee. The convocation of these two conferences is of great significance in helping China gradually break away from inflation, healthily deepen its reform program, and bring about a new situation in the national economy at an early date.

Premier Li Peng spoke at the session. He said: The 3d Plenary Session of the 13th CPC Central Committee held not long ago put forward the guideline to clean up the economic environment, rectify economic order, and deepen reform in all fields; and placed the focus of the reform and development program for the next 2 years on cleaning up the economic environment and improving economic order. In line with the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, the State Council, in the past 2 months, has adopted and enacted a number of measures and regulations concerning finance, banking, production, commerce, and people's living, to make central policy more tangible. All localities and departments have done a lot of work in implementing the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and the various measures and regulations of the State Council, and have begun to see results. But all this is only a beginning. Progress is rather uneven. The main goal of the national planning conference and the national economic restructuring conference is to further implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee.

In his report, Vice Premier Yao Yilin first appraised this year's economic situation. He put forward the guidelines for next year's planning in line with the guiding principle laid down by the 3d Plenary Session of the 13th CPC National Congress and the actual current situation.

1) The main objectives and basic tasks for next year's planning are to gradually cool the overheated economy, make sure next year's price rises are noticeably lower than this year's, and strive to realize a good agricultural harvest. 2) We should earnestly curtail excessive total social demands and tighten the money supply. 3) We should rationally realign the economic structure to improve the relationship between economic sectors, achieve better economic performance, and avoid economic stagnancy in the course of curtailing social demands. 4) We should clean up the economic environment and improve economic order, while deepening reform in all fields. We should gradually establish a macro-control system, while the new system replaces the old. In planning for next year, we must look ahead and back, and take into consideration how to dovetail next year's plan into plans for the following year, or even the next several years.

Yao Yilin said: Whether we do a good job in next year's planning is of great importance in gradually realizing the goal of cleaning up the economic environment and improving economic order as set by the 3d Plenary

Session of the 13th CPC Central Committee. These tasks should proceed simultaneously with deepening reform in all fields. They complement each other. We should clean up the economic environment and improve economic order, while adhering to the general orientation of the reform program. Fundamentally speaking, only by relying on the deepening of overall reform, can we achieve due results in cleaning up the economic environment and improving economic order. To deepen the economic structural reform according to next year's specific conditions, we must actively promote enterprise reform, improve order in the sphere of circulation, and systematically implement the measures which are effective in controlling inflation. At the same time, we must firmly strengthen and improve macro-economic control in accordance with the characteristics of economic operations in the period when the new system is replacing the old, and in line with the existing problems in our economic life.

Also attending today's session were leading comrades Tian Jiyun, Li Tieying, Ding Guangen, Zhang Jingfu, Wang Bingqian, Li Guixian, and Zou Jiahua.

#### Li on Improving Economic Order

OW2911012388 Beijing XINHUA Domestic Service  
in Chinese 28 Nov 88

["Local News Broadcast Service"]

[Text] Beijing, 28 Nov (XINHUA)—Improving the economic environment and rectifying economic order are essential to making economic adjustment. This was pointed out by Premier of the State Council Li Peng at today's national meeting on planning and reform of the economic structure.

Li Peng said: According to our past experience, we have to accept something and reject something else in making readjustments; we cannot keep everything. The adjustment will require us to make temporary and necessary concessions in order to have a prolonged and steady development of the entire economy. If all localities, departments, and enterprises would make no concession to their vested interests, we would not be able to achieve success in making economic readjustment and the inflation situation would continue, thus causing even greater difficulties.

Li Peng said: The party Central Committee and the State Council want all localities and departments, through this meeting, to further unify their thinking and truly implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee through various measures, adhere to the principle that the part must be subordinated to the whole, work with concerted efforts, and take coordinated actions to overcome difficulties in order to promote a normal and healthy development of reform and construction.

**Li Warns of 'Many Difficulties'**

HK2911075488 Hong Kong AFP in English  
0743 GMT 29 Nov 88

[Text] Beijing, Nov 29 (AFP)—Chinese Premier Li Peng has warned that China faces many economic difficulties next year due to the country's failure to cool its overheated economy, the official PEOPLE'S DAILY reported Tuesday.

"There are many problems in the overall arrangement of next year's economic and social development because overheated development and high consumption trends have not yet been curbed," he was quoted as saying.

Speaking at a national meeting on economic planning Monday, Mr. Li added that "difficulties will drag on" unless local government officials realize the severity of the situation.

"If none of the local departments or enterprises is willing to give up some of its own benefits, the efforts to readjust the economy will be in vain and inflation will continue, making the situation worse," he said.

Vice Premier Yao Yilin later told the meeting that China had two futures—a "bright" one brought about by cutting inflation and putting the economy on a sound footing or a "gloomy" one caused by "hesitation and inconsistency".

"We must, through economic planning in the next year, strive for the realization of the former alternative," he said in a two-hour speech following Mr. Li's address.

Communist Party Secretary General Zhao Ziyang announced in late September a plan to "rectify the economy" in the next two years by strengthening central control to cut industrial growth and inflation to less than 10 per cent.

The plan also called for a scaling down investment in fixed assets by 20 per cent, or 13.5 billion dollars, in the next year.

Figures released Monday show that China's retail price index soared 26.1 per cent from a year earlier in October while industrial output grew 20.4 per cent. Mr. Yao said in Monday's speech that the state's investment in fixed assets rose 37.4 per cent from a year earlier in October.

Inflation rose 17 per cent in the ten months to October and is likely to hit 20 per cent by the end of the year, the highest rate since 1949, officials say.

**Yao Yilin On Economic Problems**

OW2811201288 Beijing XINHUA in English  
1443 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—China has witnessed a sound economic development this year, although some problems have emerged, Vice-Premier Yao Yilin said today.

Speaking at a national meeting on planning and economic structural reforms, Yao said that the gross national product (GNP) is expected to reach about 1,300 billion yuan this year, a 12 percent increase over last year, while the national income will reach 1,110 billion yuan, a 10 percent increase.

Despite a slight drop in grain and oil crop yields, other main agricultural products will be on the increase, Yao said.

The output of major industrial products will also grow, he said, adding that preliminary estimates now show that electricity production will total 540 billion kwh, a 8.6 percent increase over last year, and the steel output will reach 59 million tons, a 4.8 percent increase.

"Generally speaking, people's lives are continually being improved as the economy develops," Yao said.

However, there were some difficulties and problems, he said, mainly sharp inflation and price rises.

Though some measures have been adopted by the State Council, resulting in slowing down price rise and controlling the investment scale, the overheated economic growth and excessive consuming demands are still problems, Yao said.

Statistics show that industrial output last month was up 20.4 percent over last year, while investment in fixed assets in public-owned units showed a 37.4 percent increase. The national index of retail prices during the January-to-September period was 16 percent up on the same period last year.

**Essay Says Promise of Democracy Unfulfilled**

HK2911034388 Hong Kong SOUTH CHINA  
MORNING POST in English 29 Nov 88 p 28

[Essay by Ren Wandong]

[Text] It has been 10 years since the emergence of Beijing's Democracy Wall and the dozens of people's organisations and non-government publications that shot up and briefly flourished in cities all across the country.

Many great changes have taken place in China since then. But the promise of democracy remains unfulfilled.



China's political situation of 1978 forced its people, who had been living under political suppression and in material poverty for several decades, to begin a mass upheaval in pursuit of people's democracy, human rights, social justice and reform.

This is not a goal that can be achieved merely by removing one group of leaders from power and replacing them with another. We like the "imperial" reformers who toppled the Gang of Four, but we like truth even more. We enjoyed our temporary freedom, but we would enjoy permanent freedom even more. We love China, but we love the world even more.

The history of the "Beijing Spring" has been recorded by the authorities that suppressed it and by the foreign press. Today, the Democracy Movement of 10 years ago is revealing anew its significance and the role it can play in the reform of Chinese society. No one can deny or obliterate that role.

The Democracy Movement of 1978-79, not the Communist Party in power and the current government, was the first to openly expose the huge gap between reality and ideal, between society at the time and the socialism described by Marx. It was also the first to articulate the sense of crisis over China's backwardness and to call for complete reform of the social system.

The Beijing Spring led the way in calling for open state policies and political and democratic reform. It was the first to propose concrete measures for Li Lizen's participation in and supervision of the Government.

The Democracy Wall dared to expose the problem of life-long tenure in office, the fact that "ownership by the people" is state ownership, the existence of unemployment and surplus labour, and many other economic truths.

The Beijing Spring called for the formation of a multi-party system and direct election of senior leaders, and the abolition of the criminal category of "counter-revolutionary thought and speech". It even called for the normalisation of relations with the Soviet Union.

Many of our ideas, dismissed as unrealistic and harmful, are now being realised. The authorities in power have passed a totally wrong judgement on the "Beijing Spring", one which will surely be reversed some day.

This only proves that people, not the party in power, create history. The so-called reformers describe people's movements as another "Cultural Revolution" and compare them to various kinds of political movements initiated by the Communist Party.

They have nothing to do with each other. It is specious logic to suppress people's justified demands by comparing them to internal strife created by the party.

Since the first open call for respect of human rights and real social reform, the authorities have responded by finding all kinds of excuses to put a large number of talented people in jail or "reform through labour" camps.

Even after their release, they continue to be suppressed and discriminated against, deprived of basic rights, good work, adequate living conditions, etc. Many are still in prison.

Cruel injury and physical elimination of talented people is a special characteristic of feudal societies. But those who have power will be held responsible when contradictions and political conflict between them and ordinary people become severe.

The Communist Party boasts about its "democracy" and "legal system", but it neglects the fact that its democracy only represents a few people in power. That the broad masses want direct democracy is only fair and reasonable.

The nationwide, pro-democracy student demonstrations in December, 1986, were an expansion and continuation of a democratic tradition which started in 1957 (This is the year in which many intellectuals spoke out in favour of a multi-party system and other political reforms. This brief "100 Flowers" movement was quickly suppressed by the "anti-Rightist Campaign" which followed).

The students' movement is, to date, the fullest open expression of the people's demand for meaningful participation in politics and direct democracy. One cannot say that it came "too soon". It happened.

Why should there be large scale street demonstrations and protests in a so-called socialist country where, we are told, the people are the "masters" of society and the "owners" of the means of production?

Is it the result of "inadequate ideological work" by the Communist Party, or the influence of "bourgeois liberalism"? Are such movements started by a "handful of counter-revolutionaries who hate socialism"? Of course not.

The Communist Party, in labelling its interests as the same as the people's, completely ignores the fact that it has ruled for 40 years over hundreds of millions of citizens.

When the party brags about its so-called socialist system, it completely ignores the existence of political and social classes, and the low productivity and backward methods of production.

It also ignores the fact that under this system all of the people have been deprived of the right to vote in meaningful elections, and other basic rights of citizenship.

Socialism in China today is peasant socialism, which the state has rediscovered as "the primary stage of socialism." It is the most serious of mistakes to conclude that feudalism in China is only a problem of "residual influences." Our present political and economic system promotes the growth of feudalism.

We are not trying to claim that capitalism is superior to socialism; we are saying that peasant socialism is inferior to capitalism. Or, to quote the Democracy Wall publication, CHINESE HUMAN RIGHTS: "Isn't the Chinese leadership carrying out the Four Modernisations at present? That is fine! But we say that without the total elimination of the autocratic system which holds up production, this aim is completely unattainable."

Industrially developed countries investing in China and providing economic aid should take into consideration the reform of China's social structure, the expansion of democratic institutions, and the release of political prisoners.

Progress on these fronts should be a condition for investment. Enhancing the power of an unreformed state suggests greater suppression of the people, who will sooner or later react.

The Communist Party cannot succeed in bending the minds of those it imprisons or, for that matter, the minds of all intellectuals. Attacks and discrimination against political dissenters will, in the long term, prove contrary to the course of history.

Time will prove our innocence and that we have committed no errors. The people will always remember those who have sacrificed themselves for the sake of democracy and socialism since 1949. The party's crimes and achievements will likewise be engraved in people's hearts.

Political freedom and democracy are essential elements of our nation. They are far more important than the party's "Four Basic Principles." In 1949, the Communist Party came to power through force. Now it should let the people decide their future through the ballot box.

For the next few decades at least, China is likely to be a confused and unstable place.

**Hong Kong Article on Dissidents in China**  
HK2711041888 Hong Kong SOUTH CHINA  
SUNDAY MORNING POST in English 27 Nov 88 p 11

[By Marlowe Hood: "The Party's Hide Thickens, But Remains Penetrable"]

[Text] There are two dissidents of international stature in China. One is in jail and other other is not.

Wei Jingsheng, the son of a mid-level cadre, was a worker before, in the autumn of 1979, he was sentenced to 15 years in jail. His alleged crime: passing on military secrets to a Western journalist. His real crime: open rejection of the Communist Party and criticism of Deng Xiaoping.

Fang Lizhi, astrophysicist and former university administrator, will tell anybody who listens that socialism is bankrupt, the party irretrievably corrupt and Western-style democracy essential to China's long-term development. Professor Fang was kicked around in the national press last year, accused of advocating "total westernisation", sacked from his job and the party—but never, as was Wei, labelled a "counter revolutionary".

What do these two men have in common and what separates them? Why are both of them "dissidents" (an extremely rare breed in China), while only one is suffering the consequences of nine years in a Chinese jail?

There are some obvious reasons why the state may have treated them differently. Professor Fang was famous in China, and to some extent abroad, before he became the object of last year's campaign against "bourgeois liberalization".

Wei became known largely because of the price he paid for being outspoken. While the Communist Party has never been shy about silencing its critics in the past, putting Professor Fang in cold storage (a Beijing winter in jail, according to the initiated, is a memorable experience) would not reflect well on the enlightened reign of Mr Deng.

The tenor of the times is also a factor. Nine years ago, Mr Deng used the spontaneous Democracy Movement to add an aura of popular legitimacy to his political manoeuvring.

But the scope of public debate was narrower then than it is today. Most of the Democracy activists curbed the tone and content of their criticisms. That they described today's arch conservatives—Peng Zhen, Hu Qiaomu and Chen Yun—as forces of progress is a measure of the change in political climate. The categories of "class enemy" and "counter-revolutionary", as Wei discovered were still active.

He ignored the self-imposed limits that his fellow democrats placed on the parameters of public discourse. "Don't believe in the 'stability and unity' of despots," he wrote in his powerful essay DEMOCRACY: THE FIFTH MODERNISATION. "The slogans of totalitarianism and fascism can only bring us disaster. Democracy is our only hope."

When Professor Fang says the same thing in 1988, albeit with slightly less hyperbole, it doesn't sound quite as outrageous to the Chinese ear. A decade down the road of post-Mao development, the leadership has grown a somewhat thicker hide.

Wei spoke in terms that were difficult even for his "Beijing Spring" colleagues to stomach. But he might have got away with it if he hadn't added lese majeste to his list of crimes.

He openly called Mr Deng a "dictatorial fascist" and said he was not worthy of the people's trust. If Professor Fang harbours any such judgements, he has certainly kept them to himself.

Finally, there is a question of class. Chinese intellectuals have always had an intimate relationship with political power. Their duty to serve the state includes—at least in more enlightened periods—criticism of government policies. The criticism can even be severe. But it can never be fundamental.

Workers have never been called upon to act in this role. Wei's tirades, besides their extremity, have been seen as all the more insolent for being out of class character.

What separates Professor Fang and Wei, then, is more circumstantial than substantive. They are both still dissidents.

Which means at least three things. Dissidents feel a clear sense of separation between their interests and identity and the state's. It is "us" versus "them", rather than "we are all in this together". Loyal opposition is impossible, not because the Communist Party will not tolerate it, but because the dissident will not compromise.

Secondly, the rejection of the status quo is fundamental. "Go f...yourself with your socialism and communism in a society where people don't have enough to clothe and feed themselves," writes Wei in an open letter addressed to the "Ladies and Gentlemen" of the Beijing Municipality. His contempt for the guardians of political power is total.

A dissident must, by definition, also be willing to express his dissent openly. In imperial times, "thought crime" (fu fei zui) was punishable by death, a tradition which Mao Zedong upheld with great zeal.

Many Chinese intellectuals who today privately agree with Professor Fang's views no doubt feel a lingering sense of daring. But in the post-Mao period, it seems, you have to say it out loud to make it count.

Few people in China think of themselves as black and white dissidents. But there are many shades of grey.

There are so many overlapping focuses of loyalty in China that a clear separation is nearly impossible. If one does not support certain leaders, then surely one supports the Communist Party as an institution?

If one rejects the party as a whole, then certainly one remains loyal to the People's Republic of China. If one does not believe that a socialist state should rule China, then surely one is not abandoning allegiance to the motherland and wellspring of Han Chinese culture and tradition?

Race, culture and nationalism each exert a gravitational pull.

**Liu Shaoqi's Son Views Communist Party Role**  
*HK2811144888 Hong Kong MING PAO in Chinese*  
28 Nov 88 p 9

["Special Interview" by contributing reporter Chin Po (6855 1591): "Liu Yuan, Son of Liu Shaoqi and Vice Governor of Henan, Says the Communist Party Takes Charge of Too Many Things"]

[Text] Liu Yuan, who was elected vice governor of Henan Province 10 months ago, said when he talked about his feelings of being an official for the past years: "The Communist Party took care of too many things, and committed itself to many things that it could not properly handle. Now it cannot free itself from these things even though it would like to."

Liu Yuan is the youngest son of former State President Liu Shaoqi. Liu Shaoqi was persecuted to death during the Cultural Revolution and was not posthumously rehabilitated until 1980. This year, 24 November was his 90th birth anniversary. Liu Shaoqi died in Henan Province.

Liu Yuan is 37 years of age. At the provincial people's congress in January this year, he was nominated by more than 100 deputies as a candidate for provincial vice governor, and was elected as vice governor, becoming a well-known newsmaker.

After graduating from the university in 1982, Liu Yuan was appointed to be deputy director and then director of the Qiliying People's Commune in Xinxiang County, Henan Province, and took charge of the enterprises run by the commune or the production brigades (they are now called township and town enterprises). Then, he was promoted to be deputy magistrate and magistrate of Xinxiang County and was responsible for the management of industry. In 1984, he was transferred to Zhengzhou City and became vice mayor of this city in charge of urban construction.

Liu Yuan talked about his experience as a vice mayor of Zhengzhou City to prove that the Communist Party took charge of too many things: "When I was vice mayor, I was also the head of the leading group in charge of



'youtiao' [deep-fried twisted dough sticks] and soybean milk, the head of the leading group in charge of building public lavatories, and the head of the leading group in charge of the quality of soy sauce and vinegar. Every 30 minutes I would have to handle a case related to these matters and make an immediate decision. Even if I were a genius, I would still not be able to understand everything in every trade and keep from making mistakes. In fact, the masses can solve some issues better and faster than a small number of decisionmakers. However, the mayor now has to make decisions on almost everything, including ideology. There is no need to have control of so many concrete and detailed things. The people can distinguish what is good and what is bad, and the judgment does not need to be made by a small number of leaders. I think that the Communist Party should only sum up a common point from various ideas of the people as a rallying point for the whole nation. As for the differences from one person to another, we need not pay too much attention to them."

Liu Yuan talked about his experience in the transformation of the old urban area. The city government pooled a huge amount of public money to start a reconstruction project in the 3 square kms of the old urban area. It took only a little more than 3 years to complete the project that previous governments failed to accomplish in the past 30 years and more. Liu Yuan said with deep feeling: It was very difficult to have the original residents moved out of the old urban area in order to pull down old houses. However, as the people well understood the difficulties of the government, they behaved sensibly, and all of the thousands of households moved out of their old houses without causing any trouble. This was unusual. In the past, there was a serious shortage of houses. It was not rare to see four couples sharing a room of only 8 square meters with a curtain as the partition. In recent years people praised the city government's efficient leadership and the great changes in Zhengzhou's urban construction. For an official, the closer his ties with the masses, the smoother his work will be.

When talking about his work in the provincial government, Liu Yuan said: "I am now as busy as I was in the city government, but the work in the provincial government is not as concrete as that in the city government. In the Zhengzhou City government, we worked out a plan the first day, began to carry out the plan the second day, and saw some results on the third day. It was easier to see whether the results were satisfactory or not, and it was also easier to adjust the plan. But it is not the same in the provincial government. It is hard to see the results for a long time after a working meeting. When we achieve some feedback, it is not so easy to make adjustments."

Henan is situated in central China, has relations with all parts of the country through well-developed transport lines, and abounds with resources. So it is not a remote locality. However, the gap between Henan and the coastal provinces continued to widen in the past few years, although the people in Henan tried by every

possible means to develop the economy in this province. Liu Yuan said that among many factors, the most important one is not the economic factors but the political problems. That is, a major change in ideas and mentality among all cadres in this province must be made, and the human quality must be enhanced so that the 80 million people and cadres of this province can be united to form a strong force. Otherwise, Henan's development would just be empty talk. This is the same for the whole country. At present, the people are highly sensitive to the prices, and do not trust the government. According to the experience of the developed countries, the stage of high prices is unavoidable. They could successfully pass through this stage, so we should also be able to do so. The problem is how we shall go through it and the cost we shall pay for it. We must make it plain to the masses and let them know the current situation and the prospects, because they will have to bear the costs and sacrifices. Then, the topic was shifted to the television series "River Elegy." Liu Yuan said that he did not totally agree with the viewpoints of "River Elegy," but it was valuable because it provided food for thought. "River Elegy" has evoked strong repercussions throughout the whole country. This shows that it indeed puts forward some thought-provoking questions and hits home. So it should be regarded as a major leap in the ideological and cultural field. China needs cultural retrospect. Chinese culture will not be completely negated or tarnished by various questions raised in retrospect; on the contrary, more questions and debates will just enrich our culture. In the past, in fact, we negated our culture more seriously than "River Elegy" did.

**Official Dismissed for Shielding Law-Breaking Son**  
*OW2711065688 Beijing XINHUA in English*  
1146 GMT 26 Nov 88

[Text] Beijing, November 26 (XINHUA)—A senior party official in Xiangtan City, Hunan Province, has been dismissed from his post for shielding his son who committed offences when studying at college, according to a circular issued by the Central Commission for Discipline Inspection.

Zhong Mingxing was ousted from his posts as deputy secretary, member of the Standing Committee and member of the Chinese Communist Party's Xiangtan City Committee, the circular said.

Zhong's son Zhong Xianfeng, was arrested in August on the charge of beating up a schoolmate who had reported Zhong's offences to authorities at the Hunan Institute of Finance and Economics.

The circular revealed that Tan Zhuohuai, secretary of the CPC Committee of the Hunan Institute of Finance and Economics was also dismissed from his post because of his involvement in the case.

Before Zhong was arrested, he had been given three disciplinary punishments by school authorities for cheating on examinations, gambling and bullying others.

Every time Zhong was to be punished, his father would beg for mercy on behalf of his son to his acquaintance Tan Zhuohuai.

When the institute ordered Zhong to quit school last April after he was caught by police for gambling, Zhong's parents again went to the institute to ask for leniency for their son.

In the circular, the Central Commission for Discipline Inspection asked all party officials, especially leading officials to learn a lesson from Zhong's case.

"Corrupt practices, including pleading for and sheltering law-breaking children and relatives not only jeopardize the relationship between cadres and masses and damage the image of the party, but also encourage all kinds of offences and impair the sanctity of party discipline and law," the circular stressed.

**KMT Revolutionary Committee Elects New Leaders**  
*HK2711052088 Beijing RENMIN RIBAO in Chinese*  
20 Nov 88 p 4

[Report: "Namelist of Members of the Standing Committee of the Seventh Central Committee of the Revolutionary Committee of the Chinese Kuomintang"—RENMIN RIBAO headline]

[Text] Wang Qi [3769 1142], Wang Shuyun [3769 0647 0061], Wang Xijue [3769 6932 3635], Mao Zengdian [3029 1073 3329], Fang Shaoyi 2455 1421 6654], Gan Peigen [3927 1014 2704], Lu Bangzheng [4151 6721 2973], Feng You (female) [7458 0645], Ning Guangkun [1337 0342 1024], Zhu Xuefan [2612 1331 5400], Li Zisong [2621 1311 6139], Li Peiyao [2521 3099 3852], Li Ganliu [2521 6373 7511], Yang Jiwan [2799 4764 3834], Yang Xinren [2799 2450 0086], Wu Jing [0702 0079], He Luli (female) [0149 7627 7787], Wang Xixuan [3076 1585 1357], Shen Qiuwo [3088 3061 2053], Shen Kechang [3088 0344 2490], Zhang Keming [1728 0344 2494], Zhang Suwo (female) [1728 4790 2053], Zhang Lianyun (female) [1728 1670 0061], Zhang Aizhen (female) [1728 8302 6297], Chen Peilie [7115 1014 3525], Shao Hengqiu [6730 1854 4428], Lin Shangyuan [2651 0006 0337], Zheng Dongguo [6774 3159 0948], Hu Min [5170 2404], Hu Zhengming [5170 2973 0682], Hu Daiguang [5170 0108 0342], Hou Jingru [0186 6975 1172], Jia Yibin [6328 0076 2430], Xuchao [1776 6386 6389], Gong Shiping (female) [7895 0013 5493], Peng Qingyuan [1756 3237 3293], Qin Yizhi [6009 8381 0037], Cheng Zhiqing (female) [4453 1807 7230], Cai Yijiang [5591 5030 3068].

**Industry, Commerce Federation Congress Opens**  
*OW2711171188 Beijing XINHUA in English*  
1513 GMT 27 Nov 88

[Text] Beijing, November 27 (XINHUA)—The Sixth National Congress of All-China Federation of Industry and Commerce opened here today.

The congress will examine the work report by the fifth executive committee, revise the federation's constitution and elect a new leading body.

Yan Mingfu, member of the Secretariat of the Chinese Communist Party Central Committee read a message of congratulation in which CPC pledges active support to the federation's pioneering efforts that are in conformity with the needs of reform and the open policy.

In the last five years, the federation has enrolled 78,000 members, including group members—state-run, collectively-owned and township enterprises, private and foreign-funded enterprises and individual members, according Sun Fulin, standing chairman of the presidium of the congress.

The federation has now a national network of 1,500 branches, Sun added.

Representatives from the China Democratic National Construction Association and other democratic parties and the All-China Federation of Trade Unions also read their messages of congratulations.

The congress will end on December 3.

**Zhao Ziyang Remarks Cited**  
*OW2911103088 Beijing XINHUA Domestic Service*  
in Chinese 1325 GMT 27 Nov 88

["Local Broadcast News Service—by reporter Zheng Qingdong"]

[Text] Beijing, 27 Nov (XINHUA)—Zhao Ziyang, general secretary of the CPC Central Committee, stated that the Federation of Industry and Commerce is a united front organization as well as a nongovernmental chamber of commerce, which should play a more active role in invigorating the domestic economy and opening China to the outside world.

The above statement by Zhao Ziyang was revealed by Sun Fuling, vice chairman of the All-China Federation of Industry and Commerce, in his report to some 600 delegates to the Sixth National Congress of the federation today. He said: Comrade Zhao Ziyang's statement has further clarified the nature of the Federation of Industry and Commerce in the new era.

Sun Fuling said: The federation has recruited a large membership since 1984. Among the new members are both group and individual members, including not only

industrial and commercial enterprises and representatives of enterprises or associations of industry and commerce, but also collective, village and township, private, joint, and other enterprises. They have greatly changed the nature of the Federation of Industry and Commerce. The All-China Federation of Industry and Commerce is a mass organization that serves both as a united front organization and nongovernmental chamber of commerce.

**New Department Controls State Properties**  
*HK2811051888 Beijing CHINA DAILY in English*  
28 Nov 88 p 1

[By staff reporter Gu Chengwen: "State Takes Control of Its Own Property"]

[Text] China is resolved to establish a new system to control its government property and increase its value.

The newly-organized Administration of State-owned Properties will represent the ownership of such properties, including those located outside China.

The national economic reforms in recent years have brought about such phenomena as shareholding, annexation and the selling off of State-owned enterprises.

Jiang Lemin, chief of the administration, told CHINA DAILY that the new organization is facing many urgent issues, including the identification and evaluation of State properties and the disposal of profits produced from them.

Since 1979, the government has allowed State-owned enterprises to keep part of their business profits to be invested in production or improving the workers welfare.

People have different opinions about the ownership of such increased value in fixed assets.

Some collectively-owned enterprises have also relied solely or mainly on State investment.

Besides, due to the lack of a scientific management system, there is a big difference between the value of State properties in the account books and in reality.

All these are problems to be solved by the new State department.

Jiang said his administration will do three things at first: establish management institutions at all government levels, work out basic regulations and probe for specific types of ownership management for different kinds of State-owned enterprises.

The first group of regulations will cover general management of State-owned properties, appraisal and evaluation of properties and annexation and selling off of State-owned enterprises, and management of those practising the shareholding system.

Jiang admitted it will be a hard job to reform the management system of State-owned properties in China.

**Concern**

He said the contract responsibility system practised in most State-owned enterprises has achieved great success. But it has not solved the problem of how to protect and increase the value of State-owned properties.

Some enterprises try only to increase production and ignore damage to State property.

This has caused concern and unease among people in all circles.

He said the present system whereby many State departments assume the ownership of State properties is inappropriate. It brings about ambiguous relationships, unclear responsibilities and a lot of contradictions. In many cases, there is no one responsible for State property.

The establishment of the Administration of State-owned Properties is expected to put an end to this situation, Jiang said.

He added that he hopes to get consultancy and help from foreign experts in the course of his work.

**Health Minister Mentions Radioactive Contamination**  
*HK2711085888 Beijing RENMIN RIBAO in Chinese*  
26 Nov 88 p 3

[Report by Ai Xiao (5337 4562): "Minister of Public Health Chen Minzhang Appeals for Stepped Up Measures Against Diseases, Elimination of Scourges"]

[Text] Beijing, 24 Nov—Today, speaking on the remarkable progress made by the country in the elimination of scourges and diseases, Minister of Public Health and Chairman of the National Patriotic Public Health Campaign Committee Chen Minzhang also reported some worrying situations.

Chen Minzhang said: According to a report dated 23 October this year and prepared by the Academy of Preventive Medicine on an analysis of the incidence and spread of 25 legally recognized infectious diseases, although the total number of occurrences in the country of these diseases from January through September was only 3,720,000 cases, a little less than last year's 4,140,000 cases, the incidence of intestinal infection diseases, such as typhoid fever, paratyphoid fever, and



viral hepatitis, went up. For example, in Zhejiang, 2,090 cases of typhoid and paratyphoid fever were reported in 1985, 3,290 cases in 1986, and 6,290 cases in 1987. However, the incidence of these diseases continued to rise this year. The higher incidence of of intestinal infectious diseases shows that there are still many problems in our diet, environmental sanitation, and personal hygiene. Hepatitis A, which caused a great deal of trouble in Shanghai this past spring, bacillary dysentery, the incidence of which is usually high, and the Non-A-Non-B-type hepatitis, which has plagued Xinjiang on and off for 2 or 3 years, are caused by water contamination.

Although the spread of ophthalmia [hong yan bing 4767 4190 4016], a common disease that was prevalent this past summer, was quickly put under control, 1,070,000 cases were reported in Beijing, Tianjin, Shanghai, Guangzhou, and Hangzhou. This disease greatly shocked society and caused heavy economic losses. This shows that public sanitary conditions are poor and that people lack preventive knowledge.

Some infectious diseases that affect both humans and animals and that were once brought under control, such as snail fever, have spread again.

Many food poisoning cases have been reported over the past few years. This is related to the processing, packing, transportation, sales, inspection, and examination of foodstuffs. This is a many-faceted social problem.

Since nuclear technology is now widely and increasingly applied, we should pay close attention to the hidden perils caused by all types of nuclear contamination. According to reports prepared from January through October, there have been cases of radioactive contamination caused by improper handling of nuclear sources [he yuan 2702 3293].

Speaking on the "four scourges," Chen Minzhang said: According to some experts, there are about 3 billion rats in the country. The total amount of grain consumed by these rats constitutes 5 to 10 percent of the country's total grain output and is roughly equal to the total amount of grain the country imports each year. The rats damage young trees. In certain provinces 20 to 40 percent, and even up to 80 percent in some provinces, of their trees are damaged, and planting cannot make up for this damage. Rats spread epidemic bleeding fever [liu xing xing chu xue re 3177 5887 1840 0427 5877 3583]. From 1986 through 1987, over 170,000 cases were reported. From January through September 1988, 28,000 were cured. However, if we do not continue to kill rats, the incidence of this disease will go up again.

Shanghai has conducted a survey of 1,195 units belonging to 8 trades and discovered that 78.9 percent of them have serious cockroach problems. Even the hospitals are affected. However, flies and mosquitos are even more serious problems.

Chen Minzhang reminded people: If we do not pay closer attention to dealing with these worrying situations and to sanitary conditions, which are causing great trouble, epidemic diseases, endemic diseases, and food poisoning will get out of hand and run rampant. To eradicate the sources of diseases, all members of the community should make some joint efforts and we should vigorously give the whole nation an education in sanitation and public health in order to enhance the people's sense of hygiene and public health and enable them to participate in handling environmental safety and health matters, which we rely on for our existence.

**Song Jian Addresses Hunan Science Meeting**  
*HK2811015188 Changsha Hunan Provincial Service*  
*in Mandarin 2300 GMT 27 Nov 88*

[Text] Song Jian, State Councillor and Chairman of the State Science and Technology Commission, pointed out at the Hunan science and technology work conference on 27 November: Developing socialist commodity economy is currently a major task in science and technology work. He fully endorsed science and technology work in Hunan in recent years, holding that great achievements have been scored and that the work bears the province's own characteristics. This work has provided many valuable experiences for the whole country.

Discussing how science and technology work should implement the resolution of the 3d Plenary Session of the 13th CPC Central Committee, he cited many facts to analyze the main reasons for China's economic difficulties this year. He said: The overheating in the past 2 years is an overheating divorced from science and technology and is the result of failing to implement well the guideline calling for economic construction to depend on science and technology.

He said: Viewing the decision of the third plenary session from the angle of science and technology work, we should all the more take an attitude of enthusiastic support and resolutely implement it. In order to overcome the temporary difficulties that have emerged in economic life this year and ensure that next year's price rise index will be markedly lower than this year's, science and technology work should be focused on increasing market supplies. We must expand science and technology input into agricultural production, into increased output of non-staple food, and into supplies of raw materials, and so on. We must provide still greater and more support for science and technology departments and workers engaged in communications and energy research and development.

In the main theater of directly serving economic construction, we should appropriately restrict scientific research projects that yield low economic returns and launch more projects that require short cycles and yield rapid returns for low investment. We should cut capital construction to the minimum. Even for projects that are

very necessary in the long term, we should be patient for 1 or 2 years. This requires working with concerted efforts throughout the whole country to overcome the difficulties.

Comrade Song Jian stressed in his speech: Stimulating and guiding the development of socialist commodity economy is the historic task of science and technology work in China. He said: The key to attaining the level of a medium-developed country in the first half of the next century lies in improving labor productivity. We must guide the people to learn how to achieve more from exerting the same effort. To succeed in this, we must create conditions in two aspects. First, we must create a social environment for commodity economy; second, we must be armed with science and technology. Science and technology work must pay attention to the development of the rural economy. Simply depending on large urban industries to bear such a vast rural population is something that will require a very long time even if rapid development is sought. Although at present we cannot yet bid an immediate farewell to natural economy, we must pay great attention to guiding the development of commodity economy. Places where the conditions are ripe must take steps to encourage the establishment and development of industries on a substantial scale.

Song Jian mentioned in particular that Hunan is a land of fish and rice. Citrus and various aquatic products are its strong points, but these have not yet formed into an industry. It is very difficult for science and technology to play its part still more, and output is by no means high.

Comrade Song Jian also pointed out that it is necessary to create more attractive employment opportunities in the rural areas for science and technology workers to ensure that science and technology can gain firm footing in the rural areas and that we can gradually form an environment for self-development and advance toward operations on an appropriate scale. He proposed four specific forms: 1) Set up technology-industry-trade and technology-agriculture-trade bodies and pre- and post-production technological service bodies, under various systems of ownership. 2) Organize the technology associations in various trades and guide them to develop toward becoming entities. 3) Organize joint operations in technological contracting. 4) Science and technology personnel should be permitted to go to the rural areas to set up agricultural, stock, and plant cultivation farms. If these forms can be established and gradually formed into a network, this will lay an excellent foundation for specialization and modernization in the rural areas.

In promoting the development of operations on an appropriate scale in the rural areas, we should at present mobilize, organize, and support large numbers of science and technology cadres in going to the frontline of agriculture to display their talents and lead the peasants to get rich. At the same time, we should cultivate and forge a number of science and technology entrepreneurs from among educated young people returning to the rural

areas. If there are more of these people, consciousness of depending on science and technology for agricultural development will be strengthened, and science and technology will be able to gain firm footing in the rural areas.

Provincial party committee Secretary and Governor Xiong Qingquan presided at the meeting and made an important speech. He stressed that all levels in the province must further enhance understanding of science and technology, and further implement the policies, increase investment, and strengthen organization.

**Yang Shangkun Speaks at Liu Shaoqi Memorial**  
*OW2811053488 Beijing Domestic Service*  
*in Mandarin 2230 GMT 24 Nov 88*

[By reporter Peng Xiaomao from the "News and Press Review" program]

[Text] To commemorate the 90th birth anniversary of Comrade Liu Shaoqi, the great Marxist and proletarian revolutionary and a prominent party and state leader, a museum and bronze statue in his memory was opened and unveiled in his hometown in (Taizi) Village, (Huamingleu) Township, Ningxiang County in Hunan Province on 24 November.

President Yang Shangkun cut the ribbon for the museum and unveiled the bronze statue. A horizontal board with Comrade Deng Xiaoping's inscription hung above the main entrance to the museum. A 4-meter-high full-length bronze statue of Comrade Liu Shaoqi, a painstaking work by China's famous sculptors (Liu Kaoju) and (Cheng Youxian), towers on the slope southwest of the museum.

At the opening ceremony, President Yang Shangkun highly commended Comrade Liu Shaoqi's career. He said: Since his youth, Comrade Liu Shaoqi had devoted himself to the cause of the Chinese people's liberation and Communism. Like Comrades Mao Zedong, Zhou Enlai, and Zhu De, he was also a founder of the New China. He performed meritorious service in strengthening the CPC organizationally.

Yang Shangkun said: Wrongly persecuted in his later years, Comrade Liu Shaoqi died too soon. His death still grieves us today. In commemorating and emulating Comrade Liu Shaoqi, we must make unremitting efforts to build socialism with Chinese characteristics and advance the cause that Liu Shaoqi and other veteran revolutionaries have not yet finished.

Among the people attending the ceremony on 24 November were Song Renqiong, Zhu Xuefan, Ni Zhifu, Wang Guangying, and Comrade Liu Shaoqi's widow Wang Guangmei and son Liu Yuan, as well as senior officials from Hunan and Jiangxi Provinces and people from various circles.

After the ceremony, Yang Shangkun and other leaders viewed, together with the masses in Ningxiang County, the museum and the bronze statue.

**Measures To Stabilize Currency, Prices Viewed**  
*HK2911011188 Beijing JINGJI RIBAO in Chinese*  
29 Oct 88 p 3

[Article by Zhao Haikuan (6392 3198 1401): "Stabilizing Currency and Prices Is the Objective Need of Reform and Development"]

[Text] It was made clear at the 3d Plenary Session of the party's 13th Central Committee that in reform and construction for the next 2 years improving the economic environment and rectifying the economic order should be stressed. "By improving the economic environment, we basically mean cutting back social total demand and checking inflation." This is a correct policy decision made after a scientific analysis of the current political and economic situation. This decision is bound to come into favor nationwide. The pressing task of the moment is to take effective measures to resolutely carry out this policy so as to stabilize currency and prices as soon as possible. In this article, I should like to advance some opinions on measures which should be taken to effect macro-control.

**Exercising Strict Control Over the Money Supply**

The state should authorize the People's Bank of China to issue money with the amount being in line with the calculation based on economic growth rates or economic growth rates plus permissible excessive rates for monetary issues (the latter are around 2 to 3 percent according to experiences at home and abroad). At the same time, the amount of funds derived from the amount of currency in circulation should be taken as the maximum for bank loans. Out of this maximum, funds for purchasing materials such as grain, cotton, and so on, which the state must take into its hands, are to be set aside, put into a special account, and only used as designated. The remainder constitutes the total credit funds to be extended to other sectors of the national economy, and the banks can only offer loans within this limit. Overall, if construction funds are to be increased, the growth rates for consumption funds must be cut; if increased funds for productive construction are called for, the investment in non-productive construction should be reduced; and should funds for key projects be increased, investment in less important projects must be controlled.

What matters is that the state should commit the banks to doing this job and grant them the authority needed. The government should order the banks to keep to this limit, and any amount extended in excess of the limit without authorized permission shall be investigated and responsibility for it affixed. The banks should also be entrusted with power to reject demands from any side

for loans exceeding the limit, and they should not be held responsible for the difficulties on the part of enterprises resulting from a shortages of funds.

Will this stifle the economy? It will not. With the total funds set, those who wish to invest in more projects will try to strive for funds they need from this total. If every enterprise is eager for rapid expansion, many ways of financing will be invented. As a result, the capital market will prosper further, and the potential of capital be adequately tapped. In this process, the competition will get keener, giving full play to the principle of survival of the fittest. The well-managed enterprises will expand further and a few poorly-managed enterprises will meet their doom. The economy as a whole will become more dynamic. On the contrary, if enterprises can depend on the banks for all the funds they need, they will not devote much energy to improving management, thus depriving them of great vitality.

Will this affect construction? It will not from a long term point of view. In the final analysis, economic construction depends on materials not banknotes. The scope of construction is subject to material conditions, and monetary issue must go by objective laws. Only when the amount of banknotes in the market conforms with the objective demand, can economic construction proceed in a normal order, materials in society be adequately used, and the tempo of economic construction be quickened. Conversely, if additional banknotes are issued irrespective of objective demands and more projects are started, the result will be our failing to complete the projects in time, because the surplus banknotes lack matching material supply and there are insufficient materials for the projects. If you obtain the materials needed by special means, the normal practice of allocating materials will be disrupted, with some projects being abandoned half way or remaining unfinished for a long time. This will only serve to slow down the pace of construction in the long run.

**Resolutely Recovering Surplus Banknotes From Circulation**

To check the current inflation and price increases, it is necessary to take resolute measures to recover surplus money from circulation, apart from strictly controlling the amount of the money supply. Otherwise, we will not be able to stabilize prices even when we have brought the money supply under control.

To withdraw surplus money from the market, we should mainly take two measures:

1. Introducing privatization of housing by selling some public-owned residential houses to the citizens. This proposition has been under discussion for a long time and should be put into practice as soon as possible. What should be emphasized is that a part of the income from selling houses must be regarded as money withdrawn from the market. Special accounts should be opened with



banks in all localities and the above income all credited to the accounts. While a small portion of the income should be allocated to local governments to bring into play their initiative in this practice, the rest should be turned over to the state treasury for repaying loans and overdrafts from the banks. To prevent the financial departments from spending the money again, all payments should be made by the transfer of accounts. At the same time, quotas for the next 2 years should be assigned. For instance, 20 percent of the publicly owned houses are required to be sold off next year, and the departments concerned must commit themselves to fulfill the task. In view of the current heavy responsibility of reabsorbing currency, the sources of funds for building new houses and repairing old houses should remain unchanged for the next 2 years. That is, the funds for that purpose should come from the same sources in the next 2 years as they did before. No money from selling houses is allowed to be diverted for any purpose until the surplus money in circulation is basically withdrawn. Some comrades are worried that the incomes from selling houses will be used for investment and other purposes once again, instead of finding its way to the state purse, on account of lack of effective control measures. This should be resolutely guarded against. In urban areas only, China's public-owned residential houses measure over 2 billion square meters. If the houses are sold at the price of 150 yuan per square meter, the government will net 300 billion yuan. If 20 percent are sold next year, 60 billion yuan will be added to the state coffers. If most of the sum, after deducting a small portion for local use, is turned over as withdrawn currency, it must play a decisive role in improving the market situation.

2. Selling part of state-owned small enterprises, which are poorly-managed and lose money, to individuals or groups of people. The money accrued must first be used to pay up what the enterprises owe, with the remainder being surrendered to the financial departments to settle loans and overdrafts from the banks. If surplus currency is still found in the market when the financial departments have cleaned up the loans and overdrafts from the banks, the income from selling small enterprises should be deposited in the banks as long term special savings, and should not be used for economic construction until the amount of currency in circulation has really returned to normal. Selling poorly-managed state-owned small enterprises serves to recall part of the currency issued, increase funds for the national economic construction, and invigorate and expand the small enterprises themselves. This practice kills several birds with one stone. Some hold that nobody will care to invest in poorly-managed enterprises. This argument, however, is open to debate. It is not necessary for us to sell well-managed enterprises. As for the poorly-managed enterprises, as long as they still promise some hope and the offers are reasonable, some people will take an interest in them.

### **Controlling the Sources of Funds for Investments in Social Fixed Assets**

One of the important reasons for the current inflation is overexpansion of investments in social fixed assets. The investments in fixed assets nationwide topped 350 billion yuan in 1987, constituting 38 percent of the national income of that year. 1987 was also the year when investments in fixed assets accounted for the highest percentage since the founding of the People's Republic.

Therefore the basic measure for checking inflation and price increases is to rationally reduce the scale of investments in fixed assets, and this, in turn, depends on controlling the sources of funds for investments in fixed assets.

In this connection, apart from controlling the amount of investments in the national capital construction, the following thoughts are worth trying:

1. Trying to divert the funds enterprises and institutions earmarked or are able to set aside for investment in fixed assets to the national key projects by issuing special shares or bonds. When these projects are put into operation, investors can share profits, or excess products.

2. The amount of bonds issued nationwide should be brought under control, and coordinated with the amount of bank loans. Experience in the past years shows that the funds raised by issuing bonds constitute an important source of funds for investments in fixed assets. The total amount of bonds issued nationwide should not increase too rapidly, and financial bond issues should be cut or suspended in the next 2 years. According to typical investigations, most of the funds for purchasing bonds comes from bank deposits. Therefore the more frequently bonds are issued, the fewer the sources for bank funds, and the smaller the amount for bank loans. If the banks do not cut down their loans when more bonds are issued, or even increase their loans when bond issues are suspended, overexpansion of credits is inevitable. If the money raised by issuing bonds is deposited in the banks again after it plays the role of purchasing power, the sources of bank funds will seemingly be the same as or hardly less than before the bonds are issued. But the increased social purchasing power amounts to increased money supply. If the banks do not reduce credits accordingly, overexpansion of credits is bound to appear all the same.

3. Bank loans on fixed assets are also an important source of funds for investment in social fixed assets, and a strict control is necessary. Some suggested that the credits on fixed assets should be exclusively handled by one or two banks, following the U.S. example, that is, short term and long term credits are dealt with by two different kinds of banks. These banks are responsible for extending loans on fixed assets, making use of the long term available funds they raised, and subjected to the limit set by the state, while other banks will not extend

the similar loans or extend them within a strictly restricted scope and in a limited amount. This suggestion is worth consideration. History has told us that all localities and departments expect that the banks will provide more fixed asset loans to them, since they believe there is no problem with current fund loans, which the banks are always ready to make. In fact, as every bank grants current fund loans as well as fixed assets loans, it is liable to expand the amount of fixed assets loans. At the same time, as the sources of bank funds are limited, excessive fixed assets loans will lead to a shortage of current fund loans. As a result, the banks will be forced to increase the volume of credits and money supply.

#### **Balancing Budgetary Revenues and Expenditures**

China's budget has been in the red for a few years, except for 1985, when we had a little surplus. This is also one of the important reasons for the current inflation and price increases. Therefore it is essential to adopt practical measures to effect a fiscal balance. If we fail to eliminate the deficits through repeated efforts, we should raise funds from the market by issuing bonds to cover the deficit, rather than borrow money from the banks or overdraw our accounts, forcing the People's Bank of China to issue money for budgetary reasons. By raising money from the market, we mean raising funds from the social total funds limited by the People's Bank of China using the amount of money supply. Making up the deficit with funds raised this way will not only avoid making a direct impact on the amount of currency provided, but also contribute to reducing the deficit. As it costs a lot to raise money from the market and the bonds issued this year are to be repaid from the revenues in the future, this will compel the financial departments to increase revenues and cut back expenditures, reducing or preventing a deficit; otherwise we will encounter difficulties.

#### **Rationally Increasing Bank Loan Rates**

At present, value-guaranteed accounts have been rendered to savings deposits of 3 years or more, but the rates for bank loans and for savings deposits up to 1 year are lower than the depreciation rate. This serves to encourage people to borrow as much money as possible from the banks and discourage them from depositing money in the banks. This is detrimental to the goals of balancing the total supply and total demand, and stabilizing currency and prices. At the same time, bank loan rates are much lower than the rates for savings deposits of 3 years or more. That means the banks suffer heavy losses by extending loans, thus reducing the state revenues and affecting the fiscal balance and the balance between incomes and payments in credit operations. Hence it is imperative to raise the bank loan rates to a positive figure, and we should also consider ensuring that the value of fixed deposits up to 1 year will not change.

If the rates for bank loans are increased to positive ones, enterprises will actually pay the price for borrowing money from banks. Under the circumstances, enterprises will pay more attention to tapping the potential of funds and improving management so that they can borrow less money and cut expenditures. This will be conducive to improving the management level as well as cutting down the volume of credits. At the same time, it will help the banks to completely eliminate the negative interest rates for fixed deposits, and raise the interest rates for savings deposits as a whole. As a consequence, people will be encouraged to deposit money in the bank more often, thus changing consumption funds into productive funds, and reducing the pressure of the consumption funds on the market.

Are increased loan rates acceptable to the enterprises? The answer should be positive. For the enterprises as a whole, the currently realized profits are composed of two portions: one is the value newly created at that time; the other is the price difference created in the process of price increases, namely the profits accrued by the difference between the lower prices at which the enterprises purchase materials and the higher selling prices at which the enterprises sell their products, which are available after the materials are stored for a time and after the production processes. These are extra incomes for the enterprises. The enterprises are well able to repay the interest for bank loans with these incomes. Moreover, these incomes basically come from bank loans, that is, the incomes resulting from a difference in prices during the period from when the enterprises borrow money from the banks to purchase materials to when they sell their products and repay their debts to the banks are the losses the banks suffer because of currency devaluation in this period. That the enterprises pay the interest to the bank with these incomes is nothing but "returning something to its rightful owner." It is a matter of course.

**Analysis of 1988 Economic Situation**  
*HK2911024988 Beijing JINGJIXUE ZHOUBAO*  
*in Chinese 13 Nov 88 p 3*

[Article by Wu Minglu (0702 2494 6922): "The Economic Situation Is Still Grim and It Is Still Necessary To Be Sober-Minded—An Analysis of the Economic Situation in the First 3 Quarters of 1988"]

[Text] In the first 3 quarters of this year, our country's industrial production maintained a high-rate growth. However, the situation in our country's agricultural production was not very good. In the 3d quarter of this year, the adverse balance of our country's import-export trade further expanded. Although our country's financial revenue witnessed a noticeable growth and our country succeeded in controlling her budgeted investment, our country's commodity prices shot up by a big margin because the aggregate social demand outstripped the aggregate social supply. In the meantime, our country also suffered from the soaring inflation and the over-expansion of credit. The excessive development of the processing



industry also increased strains on the supply of raw materials and energy as well as on transportation. As a result, our country's grain output, cotton output, and oil output stagnated. The entire economic situation of our country remained grim. Therefore, we must be sober-minded and should on no account be overly optimistic about the economic situation of our country.

### Production

Since the beginning of the year, our country's industrial production has maintained a high-rate growth. In the first 3 quarters of this year, our country's total industrial output value reached 833.3 billion yuan, an increase of 17.5 percent over that in the corresponding period last year. Especially, in September of this year, our country's total industrial output value increased by 20.2 percent compared with that in the same period last year.

Between the 1st quarter and the 3d quarter of this year, the state-run industrial enterprises listed in the state budget realized 113.6 billion yuan in profits and taxes, an increase of 15.3 percent over that in the corresponding period of last year, and earned 566.4 billion yuan selling their products, an increase of 20.2 percent over that in the same period last year. However, because the prices of raw materials and energy went up rapidly, the amount of wages and subsidies paid to the staff and workers increased sizably, and no marked improvement was made regarding enterprise management, the production cost of these enterprises went up and the losses of the enterprise further increased. In the first 3 quarters of this year, the costs of comparable products went up by 10.6 percent and the losses of these enterprises totalled 4.5 billion yuan, an increase of 26.3 percent.

Since the beginning of this year, the excessive growth in industrial production, especially the excessive growth in the processing industry, has put increasing strains on the supply of raw materials and energy as well as on transportation. This will certainly become a factor restricting the future development of our country's industrial production.

As far as our country's agricultural production is concerned, because all the major agricultural areas of our country have suffered such serious natural calamities as drought, flooding, storm, and hail this year, the overall situation of our country's agricultural production is not good. It is estimated that this year, our country's grain output and cotton output will continue to stagnate at the original level and will not be able to obtain the all-time high recorded in 1984. In the first 3 quarters of this year, our country's population increased by over 56 million. As a result, our country's aggregate social demand also increased and so did our country's per capita possession of the means of subsistence. This situation is bound to exert an adverse effect on our country's market supply and industrial production in 1989.

### Construction

In the first 3 quarters of this year, the units owned by the whole people made a total of 123.8 billion yuan in fixed assets investment, an increase of 17 billion yuan or 16 percent over that in the corresponding period last year. Such a percentage of increase is the lowest in the last 3 years. Of the 123.8 billion yuan of investment the units under the system of ownership by the whole people made in fixed assets, 81.7 billion yuan was invested in capital construction, an increase of 14.6 percent; some 42.1 billion yuan was invested in technological renovation and innovation, an increase of 18.7 percent. That the growth rate of the investment in technological renovation and innovation continued to surpass that of the investment in capital construction not only showed that our country's enterprises had paid increasingly more attention to technological renovation and innovation but also attested that the state had succeeded in compressing the scale of capital construction.

In the first 3 quarters of this year, our country's investment structure has been improved and productive construction has been accelerated. Our country's total investment in productive construction in the first 3 quarters of this year reached 56.9 billion yuan, an increase of 20.8 percent. Our country's investment in non-productive construction was placed under proper control during this period with the total investment in non-productive construction reaching only 24.7 billion yuan, an increase of only 2.9 percent over that in the corresponding period last year. Moreover, the proportion of the investment in non-productive construction in the total investment our country made in capital construction in the first 3 quarters of this year dropped from 33.8 percent in the corresponding period last year to 30.4 percent. The work of checking up on the construction of luxurious office buildings, auditoriums, hotels, and guest-houses is now being unfolded. The investment in the construction of residential quarters has also decreased. After the initial examination and confirmation carried out by the various regions and departments concerned, the construction of 111 luxurious office buildings, auditoriums, hotels, and guest-houses has either been canceled or suspended, which will result in a reduction of over 5 billion yuan of investment. However, the construction of some 322 projects will continue and will demand another 14 billion yuan in investment. Such an investment scale is still too big.

As far as the sources of investment funds are concerned, some 21.5 billion yuan came from the state budgetary funds, a decrease of 1.46 billion yuan or 6.4 percent compared with that in the corresponding period last year. Affected by the policy of "double tightenings," the amount of domestic loans and self-raised funds also decreased. However, foreign capital was actively used. Some 13.8 billion yuan of such investment was foreign funds, an increase of 5.8 billion yuan or 73.3 percent over that in the corresponding period of last year.



Although the number of projects under construction has decreased, the scale of the newly started projects still remains too big. Therefore, efforts must be made to further reduce the number of those projects whose construction the state financial capacity and material capacity cannot afford.

### Circulation

Starting from the 3d quarter of this year, most of the commodities were sold exceptionally fast on the market. In the first 3 quarters of this year, the total volume of retail sales of social commodities reached 534.8 billion yuan, an increase of 28 percent over that in the corresponding period last year, among which, the total volume of retail sales of consumer goods reached 465.4 billion yuan, an increase of 28.2 percent. This is the second highest percentage increase in the last 10 years in addition to that recorded in 1985. Such a percentage of increase far outstripped the growth rate of the industrial and agricultural productions and the speed of commodity purchase.

Although the State Council repeatedly called for restricting the purchasing power of various social groups, it continued to grow and remained at a high level in the first 3 quarters of this year. The amount of money various social groups spent on purchasing consumer goods reached 48.7 billion yuan, an increase of 21.3 percent over that in the corresponding period last year. The State Council once demanded a 20 percent reduction of the purchasing power of various social groups. Now this target seems unattainable.

This year has also witnessed a shortage of commodities on the market due to the insufficient purchase of farm and sideline products. The total amount of funds the state spent on purchasing farm and sideline products in the first 3 quarters of this year increased by only 14.8 percent compared with that in the corresponding period last year. With price increases factored in, the number of farm and sideline products the state purchased decreased in real terms. Although the state made every endeavor to increase its purchase of light industrial products and textile industrial products, some varieties and specifications of such products were still in short supply or even unavailable on the market as a result of the abnormal market fluctuations. At present, there are only a limited number of readily marketable commodities kept in stock. By the end of the 3d quarter of this year, the total value of the commodities kept in stock had reached 253.3 billion yuan, an increase of 16 percent over that in the corresponding period last year. With price increases factored in, the total value of the commodities kept in stock at the end of the 3d quarter of this year almost equalled that in the corresponding period last year.

Along with the further deepening of the reform of the foreign trade structure and the further enforcement of the policy of opening up to the outside world, the various regions of our country, especially the coastal areas of our

country, made an active effort to develop the export-oriented economy and foreign trade in the first 3 quarters of this year. However, beginning the 3d quarter of this year, various regions of our country, especially the coastal areas, started reducing their export trade and increasing their import trade, thus adding to the adverse balance of our country's foreign trade. As a result, in the first 3 quarters of this year, the accumulated adverse balance of our country's foreign trade rose from \$ 2.68 billion in the corresponding period last year to \$ 3.41 billion.

### Distribution

The relatively rapid growth of production and the continued increase of the market circulation of commodities, taken together, have exerted a positive effect on state finances. In the first 3 quarters of this year, our country's domestic financial revenue reached 159.4 billion yuan, an increase of 9.2 percent over that in the corresponding period last year, among which, the industrial and commercial tax revenue reached 114.5 billion yuan, an increase of 12.8 percent; Tariff increased by 21.5 percent; And the enterprise income increased by 2.7 percent.

Propelled by the over-heated economy, soaring inflation, and price increases, our country's consumption funds have increased rapidly since the beginning of this year. The various regions of our country have issued bonuses and subsidies on their own and distributed cash or goods to the staff and workers. In the first 3 quarters of this year, the total wages paid to staff and workers reached 150.9 billion yuan, an increase of 20.1 percent over that in the same period last year, among which, the bonuses issued to the staff and workers reached 25.1 billion yuan, an increase of 46.6 percent. It is estimated that in addition to the wages and bonuses, other types of cash incomes of the staff and workers reached 62 billion yuan, an increase of 37.5 percent over that in the corresponding period last year.

Due to the market price increases and panic purchasing, the savings ratio of the rural and urban residents also dropped significantly.

### Supply and Demand

Over the past few years, the contradiction between supply and demand has been intensified. It is estimated that in the first 3 quarters of this year, the aggregate social demand of our country increased by 33.6 percent, far surpassing the 18 percent increase of our country's aggregate social supply, thus further intensifying the contradiction between supply and demand. The main reasons are: 1. The increase of the financial expenditure outstripped the increase of the financial revenue. In the first 3 quarters of this year, our country's domestic financial expenditure reached 157.9 billion yuan, which was 1.7 percent more than the increase of the financial revenue in the same period. The 4th quarter of this year

is the peak period of financial expenditure. Now it seems extremely difficult for China to maintain its budget deficits at last year's level, which was 800 million yuan. 2. The increase of bank loans outstripped the increase of bank deposits while the inventory balance further increased. By the end of September, the inventory balance had reached 272.8 billion yuan, an increase of 102.8 billion yuan over that in the corresponding period last year. The inventory balance increased by 72.5 billion yuan in the 3d quarter of this year alone. 3. The increase of the bank cash expenditure outstripped the increase of the bank cash income, thus aggravating the soaring inflation. In the first 3 quarters of this year, the bank cash expenditure reached 957.8 billion yuan, an increase of 53.1 percent, surpassing the 48 percent increase of the bank cash income. In order to strike a balance between revenue and expenditure, the state put a total of 39.6 billion yuan of currency into circulation in the first 3 quarters of this year, an increase of 34.4 billion yuan over that in the corresponding period last year. In the 3d quarter of this year alone, the state put over 30 billion yuan of currency into circulation.

#### Prices

Between the 1st quarter and the 3d quarter of this year, on average, the total index of the social retail prices increased by about 16 percent over that in the corresponding period last year. In August of this year, the total index of the social retail price went up by 23.2 percent. On average, the price index relating to the living expenses of the staff and workers in 32 big and medium-sized cities across the country went up by 18.3 percent. The price index relating to the living expenses of the staff and workers increased by 27.4 percent in August of this year and 29.5 percent in September of this year. The price index relating to the living expenses of the staff and workers increased gradually from the 1st quarter to the 3d quarter of this year.

The rapid price increases lowered the actual incomes of some staff and workers. According to a sample survey, in the first 3 quarters of this year, the average monthly per capita income in the cities and towns of China was 87 yuan, an increase of 18.1 percent over last year's 73.6 yuan. With price increases factored in, the actual increase of the average monthly per capita income in the cities and towns of China in the first 3 quarters of this year was only 0.5 percent. The actual increase of the average monthly per capita income in the cities and towns of China was 1.3 percent in July, 3.1 percent in August, and 2 percent in September.

#### Calculating Price Indexes 'Not Difficult'

HK2811062588 Beijing RENMIN RIBAO in Chinese  
18 Nov 88 p 2

[Article by reporter Lu Zhenhua (7120 2182 5478): "It Is Not Difficult To Calculate the Price Indexes—An Interview With the Responsible Persons of the Urban Sample Survey Team of the State Statistics Bureau"]

[Text] "Why do the price indexes published by the state not conform to our real feeling? Is it the case that two

sets of price indexes are prepared, one set to be made known to the public, while the other is for internal reference?" Such questions are often raised by people who feel puzzled about price increases.

On 10 September this year, we also heard many people, who were queuing to join the value-preserving saving plan, saying: Whether the value-preserving saving plan will be successful or not depends on whether the price indexes are authentic or not.

Therefore, this reporter recently interviewed Zhang Yigeng and Ren Caifang, leader and deputy leader of the urban sample survey team of the State Statistics Bureau—the specific unit responsible for surveying and preparing the price indexes.

#### We Do Not Have Departmental Interests, Will Not Be Ordered About by Others, and Will Never Prepare Two Sets of Books

Question: People do not know about the reliability of the price indexes, and some even have doubts about it. In the long process in which raw data is collected to prepare the indexes, can personal (such as of local leaders and members of state professional departments) interference and influence be eliminated?

Answer: There are people who accuse our price indexes of being overestimated or underestimated. The masses in general say that the indexes are "underestimated," but most related professional departments say that they are "overestimated." Some local leaders worry about the indexes we publish, and worry that the indexes will surpass their internal-control indexes, and will thus affect their achievements. Therefore, some people do have the intention of influencing the work of preparing price indexes. However, we ignore them, act in accordance with the professional morality of statistical personnel, and do not intentionally make the indexes higher or lower. We do not prepare two sets of indexes, and will not cheat our country or foreigners.

We have many measures for eliminating various types of interference. The main measures are: First, the practice of "one vertical and three unify's" (vertical leadership, unified preparation, unified funds, and unified management) is adopted by the urban sample survey team at all levels. That means wages, administrative expenses, housing, administrative offices, and so on of the some 4,500 cadres of the urban sample survey team are not linked to local areas, all funds are directly allocated by central finance, and they are completely independent. Second, it conducts direct surveys, and directly transmits the data collected. It does all investigation work independently. All data reported to the upper levels is not to be examined and approved by government at various levels and related departments, so as to strictly maintain the independence of the work of preparing price indexes.

**Question:** It is reported that you adopt the divisional sampling method—that is, on the basis of a large-scale survey of the inhabitants of 150,000 city and town households, you adopt the random sampling method to define 38,000 households as perennial household accounts. They include families of all trades and professions, and families with different categories of income and expenditure. Every day, these families provide you with full, accurate, and detailed accounts of their income and expenditure, and the quantities and prices of the commodities they purchase. However, can every link of the whole process in which price indexes are prepared ensure the scientific nature and authenticity of price indexes?

**Answer:** There are three main keys to evaluating the scientific nature and authenticity of price indexes: The price data collected are real market prices; the commodities covered by the surveys are the main consumption necessities of inhabitants; the quantities of the commodities being surveyed consumed are being correctly grasped.

**There Are Some 4,000 Full-time Investigators, 12,000 Assistant Investigators, and 38,000 Account Households; and a Huge Net Is Woven. Is Every Step of Their Work Still Not Strict Enough?**

**Question:** Please tell us the practices you adopt.

**Answer:** It is a complicated and serious task to choose markets for surveying, to work out commodity catalogues, to collect price data, to calculate average daily, monthly, quarterly, and annual prices of commodities, and to prepare national price indexes. The first step is that we randomly select 420 cities and counties and 14,571 retail shops and agricultural trade markets throughout the country to survey, and they become the sample within which related data are to be collected. The second step is to define the commodity groups and representative specific products in accordance with the information collected on the income and expenditure of some 3,000 families. According to surveys and calculations, more than 80 percent of inhabitants' aggregate expenditure goes on purchasing these commodities and services. The gross index obtained from changes in the prices of these commodities conforms to real price changes. The third step is that investigators are sent on a regular basis to shops selling food and daily industrial products and to agricultural trade markets to collect data on various types of prices such as list prices, negotiated prices, market prices, and so on. For commodities for which prices vary frequently, price data will be collected six to eight times a month. At the same time, 12,000 assistant investigators are employed to keep detailed records of price changes every day, so as to enable the data collected to conform as much as possible to reality.

**Question:** At present, about 10 types of price index can be prepared in China. For instance, the price index of staff and workers' living costs, the retail price index, the

service items price index, the indexes of purchase prices of raw materials, fuels, and power, and so on. Which index can reflect comprehensively the effects of price changes on the lives of city and town inhabitants?

**Answer:** Usually, the cost of living price index and the social commodity retail price index are used. The cost of living price index is prepared on the basis of the social commodity retail price index and the service items price index. The price index of the living expenses of staff and workers reflects the effects of prices on the lives of city and town inhabitants; while the price index of peasants' living expenses reflects their effects on the lives of rural inhabitants. The social commodity retail price index is the relative figure obtained from a comparison between the real average price level of the retail commodities sold to urban and rural inhabitants, departments, and organizations in the reporting period and the average price level in the base period. In preparing the retail price index for China, we use the related data of the 331 types of living consumption goods and 52 types of agricultural means of production selected. The retail price index is for the purpose of observing and studying the effects of the changes in retail prices on the lives of urban and rural inhabitants. For instance, the gross national value of social retail commodities in 1987 was 582 billion yuan. When compared with the first half of last year, national retail prices in the same period this year increased by 13 percent, and in purchasing the same quantity of commodities, urban and rural inhabitants had to spend 36 billion yuan more. This amount is close to the additional amount of expenditure resulting from price increases in 1987.

**Question:** Some of the masses estimate and calculate the cost of living price index in accordance with the information they record. However, they are shocked that there is a great difference between this and the retail price index published by the statistics bureau.

**Answer:** It is not strange, as there are many differences between these two types of index. The family cost of living price index reflects the contrast between the living expenditure of a family in two periods. The two factors of quantity and price changes are included, and the calculating method is rather rough. However, the retail price index reflects the comprehensive average concept of the effects of price changes on consumers of different living standards and consumption structures at all levels in society, and the factor of changes in consumption quantity is eliminated; and it reflects the trend of the gross level of retail market prices. Therefore, these two types of index cannot be put on par.

**Question:** We received some letters. Some of them expressed many doubts and conjectures on the price indexes.

**Answer:** It is not difficult to solve these doubts and suspicions. In fact, the consumption circle of each family is a limited one. The feelings of families about the price



changes of millions of commodities in the whole country will never be unanimous. This is the same all over the world. There are two main reasons: First, people's first intuition and their strong feelings about commodity price increases will often make them unconsciously reject their impressions about the abstract figures published by the state. For instance, in a market of a place on a certain day and time the retail price of pork increased by 10 percent, and the retail price of matches increased by 50 percent. Consumers will have a very deep intuitive impression regarding this. This will certainly be different from that regarding the gross retail price index. Many people will believe their intuition, but not abstract figures. Second, seasonal commodity price changes will also affect the consumer price index and the retail price index. Seasonal differences in the sale and purchase prices of fresh vegetables, eggs, aquatic products, and fruits are examples. In April and May, the high season for egg production, the sale and purchase prices of eggs will correspondingly decrease. However, in winter, the low season for egg production, the sale and purchase prices of eggs will correspondingly increase. In calculating this year's price index for eggs, statistics departments will compare the average price this year with that last year, and will not compare the retail price on and after the readjustment of seasonal price differences. Factors of changes in retail prices in different seasons are taken into account.

**Being Divorced From Reality Is One Thing That Should Be Avoided in Preparing Price Indexes; Seasonal Changes Should Be Taken Into Account, So as To Give Figures a Real Life**

**Question:** Since the implementation of reform and the policy of opening up to the outside world, industrial and agricultural production in the whole country has developed rapidly, the pace of replacement of specific kinds and varieties of consumption goods has been accelerated, and people's consumption patterns have changed a lot. Can the methods you use to prepare price indexes match the emergence of this new situation?

**Answer:** The methods we use to prepare the price indexes are not unalterable, otherwise the indexes would become divorced from reality. In particular, we have already improved the surveying methods a lot. In the past, the data on commodity prices and consumption values of society were obtained from reports compiled by goods and materials departments, commerce departments, and medical and drugs departments. At present, we adopt the method of direct investigation of markets and consumers. When compared with the indirect surveying method used in the past, this method is more responsive to the realities of price changes. Many readjustments have also been made in the aspects of surveying commodity varieties and specifications. At present, the retail levels of 70 types of consumption goods such as grain, edible oils, cotton cloth, electrical appliances, and

others contribute more than 80 percent of people's consumption. Therefore, the several hundred "representatives" of commodities can basically reflect the level of change of market prices.

**Question:** Since the State Council decided to launch the value-preserving saving plan, the relationship between price indexes and people has become closer. Can your work meet the new requirements?

**Answer:** We plan to provide banks with a new special-purpose index every quarter—the price index of retail commodities and service items in society. In early September, we spent 3 to 4 days and spared no effort, and completed the work on preparing the first special-purpose index on 7 September.

This special-purpose index can reflect the degree of change in the cost of market retail commodities and service items, which are closely related to people's living, in two periods, and is a reference yardstick for estimating the long-term financial rate of the value-preserving saving plan. Inhabitants' savings will ultimately be used in buying living consumption goods, agricultural means of production, and various types of service. Therefore, we defined the price changes in these three main categories as the contents for calculating the price index of retail commodities and services in society. The financial rate of the value-preserving saving plan in the fourth quarter of this year published by the People's Bank of China was determined on the basis of the comparison between the price index of retail commodities and services in society in the first and second quarters of this year and that in the fourth quarter of last year, and the forecast of the inflation rate in the fourth quarter after the deduction of the annual interest rate on time deposits.

**Symposium on Defense, Economic Construction**  
*HK2711072088 Beijing JIEFANGJUN BAO*  
*in Chinese 24 Oct 88 p 1*

[Report by correspondent Chen Taisheng (7115 1132 3932): "Defense Building and Economic Construction Should Promote Each Other"]

[Text] In mid October, the Beijing National Defense Economic Research Society invited some 200 experts and scholars from the Army and the locality to Shicheng to discuss the functions, role, and effects of the Army in the new situation whereby the state is implementing the coastal economic development strategy.

At the theoretical symposium, experts and scholars from the Army and locality exchanged information and academic views focused on the topic "development of the coastal areas and national defense building." The comrades from the locality were aware of the national defense building situation and of the major role of the national defense economy in the development of the local economy, while the comrades from the Army were

even more aware of the difficulties and problems to be solved in the development of the local economy. The common understanding of all comrades was that modern national defense depends on and also promotes national economic construction. The development of the national economy and the strengthening of national defense should depend on each other's support.

As the coastal areas open up further to the outside world, how should we do a better job of national defense building? The comrades attending the symposium said that it was necessary to foster ideological concepts suited to the coastal economic development strategy and never regard national defense as merely a "burden" that consumes and does "not produce anything." The national defense economy produces a "military effect" as well as "economic and social effects." The comrades attending the symposium emphatically pointed out that modern national defense has organically become a branch of the big state system and has become a powerful means to realize the state's strategy. It is necessary to combine combat effectiveness with productive forces, military effect with economic results, and national defense building with economic construction and let them promote each other and develop in step. Turning a certain amount of the capacity of the state's input into the national defense system into state construction, many comrades pointed out, would produce military, political, economic, and social effects. The state's coastal economic development strategy has provided the national defense economy with a fine environment and extensive space to perfect its dual functions and effects. The Army should lose no time in plunging into the building of the coastal economy and at the same time increase its capacity in the course of economic development.

While taking part in the development of the coastal areas, how should the Army serve the state's economic construction as a whole? The comrades attending the symposium made many useful proposals: First, include coastal defense in the overall plan of the coastal economic development and make unified arrangements. Economic benefits and national defense interests should be taken into account when investing in coastal capital construction, and the needs of economic development should be considered in the building of combat facilities and battlefields so that commercial and military ports are built simultaneously and coastal industry and national defense projects are developed at the same time, doubling the returns of the investment made. Second, there should be compatibility between the Army and people and two-way development. On the premise of ensuring combat readiness, so long as it is required by economic construction, the Army should open its bays, ports, airports, and facilities as much as possible, transfer its advanced science and technology and research achievements to the locality based on remuneration, jointly exploit post and telecommunications and ocean resources, train qualified personnel, exchange information, and give full play to the production role of the army in the coastal economic circle. Third, undertake urgent

and difficult projects for the localities; complete the construction of urban areas and other major projects including factories and bridges; take part in rescue work; and carry out engineering design, artificial precipitation, meteorological consultation, and other service and development work. Fourth, instead of limiting its production and operation to "standard plus subsidy," the Army should put an end to the "closed door" state of small production characterized by "self sufficiency" and "low output"; set up economic associations with the localities; establish industrial and economic entities; vigorously develop military trade; and promote sales of its products in the international market.

**Official Discusses Gold Production Problems**  
*OW2911025788 Beijing International Service*  
*in Mandarin 0900 GMT 24 Nov 88*

[Excerpts] Listeners, now I am going to give you an account of China's gold production. On 4 November this year, the Chinese State Council made a decision on protective exploitation of gold deposits. Regarding China's present gold production and the need to implement the policy of protective exploitation of gold deposits, recently we interviewed Xu Daquan, director of China's Gold Administration Bureau. He told us the following: [passage omitted]

The Chinese Government attaches great importance to gold production. In particular, during the 9 years since 1978 when the 3d Plenary Session of the 11th CPC Central Committee was held, China's gold production increased nearly 150 percent, or an average increase of 10 percent per annum. Gold produced during these 9 years exceeded the total output for the preceding 30 years. As a result, China ranks with the chief gold-producing countries in the world. [passage omitted]

The gold mines built in the last 10 years have a total production capacity double that of the mines in the preceding 30 years. There are more than 20 counties each capable of producing more than 10,000 liang of gold.

China has good prospects for developing gold production. Thanks to joint effort by the broad masses of geological workers, new gold deposits have been discovered at some 380 localities.

Among the problems of China's gold production, Xu Daquan said, the most prominent is the damage to gold resources and the harmful effect on gold production caused by individual gold miners. In China, a large number of individual gold miners have emerged in recent years. Exploitation of gold deposits by the masses has some positive effect on solving the problem of poverty and making people better off. However, it is hard to control individual gold miners, and there is great waste in gold mining by individuals. As an example cited by Xu Daquan, from 1982 to the present, Qinghai



Province in northwest China has lost 2 million liang of gold resources, due to reckless exploitation by the masses. The province's gold resources has thus been damaged.

Another problem resulting from gold mining by individuals is that the acts of smuggling gold and selling smuggled gold have reached serious proportions. According to incomplete statistics compiled by the Public Security Department, from 1987 to the first half of this year, as many as some 4,200 cases of smuggling gold and selling smuggled goods were found, and more than 640,000 grams of smuggled gold, and some 27 million yuan of illicit money were seized.

For the purpose of sustained and stable production of gold, he said, the Chinese State Council has decided to include gold in the category of special mineral resources to be exploited in a protective manner. This is because gold can be used as a hard currency and gold production is actually currency production. When gold is included in the category of special mineral resources, it will be subject to planned exploitation in strict accordance with the requirements stipulated in China's Mineral Resources Law. No unit or individual will be allowed to engage in gold mining without the approval of the State Gold Administration Bureau.

In conclusion, Xu Daquan said: The basic goal of straightening out and rectifying the problem of gold mining by individuals is to further the sustained, stable, and healthy development of gold production. It is by no means to adversely affect or halt gold production.

**'Roundup' on Export Commodity Bases Construction**  
HK2811150688 Beijing RENMIN RIBAO in Chinese  
20 Nov 88 p 2

[Article by RENMIN RIBAO reporter Lu Zhenhua (7120 2182 5478): "Compose a New Movement—Roundup of China's Construction of Export Commodity Bases"]

[Text] The volume of China's exports exceeds an average of \$100 million a day this year, an increase of 300 percent over the period 10 years ago. China now ranks 16 in the world in its annual volume of exports. While such a success is achieved, the factors not suited to the development of foreign trade have also been exposed. They include a lack of sources of goods, little improvement in product quality, and the high proportion of primary products. In addition to structural and technical management reasons, these problems are closely related to the slow progress of the construction of the export commodity bases in recent years and to the low level operation of most of the bases.

China now has a considerable number of export commodity bases of which some are completed and some are still under construction. However, this number is still far from meeting the needs of China's foreign trade and the sharp competition in the international market.

The export of a large number of primary products and a small number of products of high value is yet a weak link in China's foreign trade. In the export of textiles, primary goods and semifinished products account for around 60 percent of the total export volume. As a result, the price of the textiles exported averages \$4,700 per ton, a little more than 50 percent of that in Japan and less than 50 percent of that in West Europe. In light industrial export, some 80 percent of the products still remain at the level of the 1950s and 1960s. Some products are downgraded to the hawkers because of the poor quality and packing. This shows that there is still a lot to do for the export commodity bases to improve their product quality and develop precision processing.

In his report on the Seventh 5-Year Plan, Comrade Zhao Ziyang pointed out: We must place the quality of export commodities before everything else; gradually change the mix of export commodities from primary products to manufactured goods and from roughly processed products to finely processed products; and set up bases for the production of export commodities and build export-oriented factories with distinctive characteristics in the coastal areas and other areas where conditions are favorable. In light of this tune, we should compose a new movement in the construction of export commodity bases.

A change effected from administrative to economic means in the development of commodity bases constitutes an essential way to ensure the sources of quality export commodities. In the past we adopted the method of leaders deciding on a place and enterprise and the state allocating funds in developing a base. Although the foreign trade departments were enthusiastic, the bases lacked enthusiasm for operation and management and lacked the motive force of developing new products. Hence, a lack of new products and a slow growth in the capacity of supply became a universal phenomenon. To overcome this defect, some bases achieved remarkable results recently by applying the economic means of public bidding, selecting the best position, inviting investors and shareholders, and granting loans based on remuneration. In light of the requirements of fine quality products, low costs, better marketing prices, and competitiveness in the international market, the electromechanical departments selected and supported more than 200 enterprises and over 600 factories manufacturing export products in groups and entrusted them with relevant responsibility, rights, and interests, thus effectively increasing the capacity of the electromechanical departments in earning more foreign exchange. In the first 9 months of this year, the volume of exports of the electromechanical departments increased by a wide margin compared with the same period last year. There were



6 foreign trade and industry-trade import and export corporations whose annual export volume exceeded \$200 million each and there were also more than 20 enterprises whose export volume exceeded \$10 million each. The textile and light industrial departments practiced the public bidding system and markedly increased the foreign exchange earning capacity of the export commodity bases. According to estimates, when the 300 projects selected through bidding are put into operation, they will be able to earn \$1.6 billion of foreign exchange a year. This successful experience should be spread as quickly as possible.

In the construction of the bases, it is also necessary to break with the old structure in which foreign trade is separated from production so that foreign trade, production, scientific research, and finance are combined. The China Export Commodity Base Construction Corporation which was founded 7 years ago integrated foreign trade with finance, information consultation, and foreign trade leasing; ran 356 cooperative enterprises, more than 50 Sino-foreign joint ventures, and a number of enterprise groups in various localities with an investment of 400 million yuan; borrowed \$200 million to run 300 projects for leasing; and successfully imported some advanced technologies. The corporation also ran joint ventures and cooperative enterprises in Hong Kong, the United States, Pakistan, and Australia, comprising the export bases that extended from China to abroad. The products manufactured by this corporation are competitive. In 1987 the corporation offered 1.3 billion yuan of export products and the figure is expected to exceed 1.4 billion yuan this year, a 1,100-fold increase over 1983.

Concentrate productive and scientific research forces to turn out "leading" products and strive to gain a foothold in the international commercial field, this is another aspect we should focus on in the construction of the export commodity bases. With strenuous efforts made in recent years, the trades of light industry, textile, electronics, and machinery turned out a number of "leading" products whose annual export volume exceeded \$50 million and \$100 million, respectively. Some export commodity bases have extricated themselves from the low level operation of manufacturing outdated products. They have taken note of establishing contacts with scientific research units, developed high value and technical-intensive commodities, and occupied a position in the international market. In the construction of export commodity bases, all departments and localities should learn from the experience of this corporation.

**Bank of China Issues 'Great Wall Mastercard'**  
OW2711062188 Beijing XINHUA in English  
0908 GMT 26 Nov 88

[Text] Beijing, November 26 (XINHUA)—The Beijing branch of the Bank of China (BOC) started issuing its "Great Wall Mastercard" Friday to Chinese and foreign corporations and individuals.

The new credit card can be used in more than five million shops, hotels and other commercial establishments in 167 countries and regions around the world, as long as they are clients of the U.S.-based Mastercard International Company, according to bank officials.

Credit cards first emerged in China in 1981 after the BOC agreed to act as an agent for cards issued by the Hong Kong and Shanghai Banking Corporation and the Bank of East Asia. Now the BOC handles seven overseas credit cards—Mastercard, Visa, Diners Card, American Express, Federal Card, JCB Card and Million Card.

The Bank of China began to issue its own credit card—the Great Wall card designated in Chinese currency—in 1986. Issued by 44 branches and sub-branches of the bank, the card can be used in over 1,800 Chinese shops and hotels, and can also be used to draw cash.

To apply for either of the two kinds of the cards issued by the bank in local or foreign currency, the applicant must have an account with the bank. Overdrafts are, in principle, not allowed.

By October more than 150 businesses in Beijing were using overseas credit cards.

**Establishment of Property Rights Explored**  
HK0311112088 Beijing JINGJI YANJIU in Chinese  
No 9, 20 Sep 88 pp 51-54

[Article by Liu Shibai [0491 6108 4101] of Southwestern Financial University in July 1988: "On the Establishment of Property Rights"]

[Text] In undertaking economic structural reform, China has included the establishment of property rights in its agenda.

#### I. Contents About the Concept of Property Rights

The term property right has two meanings, namely the right of ownership in and the right to use property.

The right of ownership, that is, the ultimate right of possession protected and strengthened by law, is the most basic meaning of property rights. According to the basic theory of Marxist political economics, a socioeconomic structure is based on certain ownership relations, and the ownership relations in the form of statutory authority are the so-called ownership in property. Property rights is a kind of basic production relation reflected in such activities as production, exchange, distribution and consumption.

Another meaning of property rights is the right to use, that is, the actual possession right of a certain property. The relationship over property is effective in a historical scope, and changes in the wake of change in the specific form of ownership. Under the circumstances where the two rights are separated, it would develop the following

relations: People have no right to own economic goods but, within a certain period of time and to a certain extent, have the right to use, to receive benefits and of disposition, which may be referred to as the actual ownership. For example, peasants attached to landlords in feudal society had no right to own land, but to a certain extent, had the actual right of ownership. This kind of property right in the form of the right to use or actual ownership becomes more prosperous in the contemporary commodity economy. For example, in the wake of the development of leasing and contracting, the party which leases and contracts a subject has no right to own such subject. Rather, it has the right to use it during the lease or contract term. Likewise, in the wake of the recent development of the company system, enterprise managers have the right to make decisions about and dispose of the assets of their enterprises or legal entities, though they have no right to own the property of their enterprises.

## II. Functions of Property Rights

### First, Function of Safeguarding the Interests of Property Owners

In nature, a property right is a right to receive economic benefits, or a right of beneficial ownership. In the past, the essence of private ownership was an individual right to receive benefits. Through claims that the means of production or products were subject to the protection of law and were private property on which nobody might infringe, and were subject to independent disposition by their subject, the benefits derived from the use of such assets in production (actually they were benefits derived from surplus labor) went to their subject and became personal income. The essence of socialist public ownership rests with the claim that the means of production and primary products are the public property of society and are subject to the decisions made jointly or partially by society, and the net income derived therefrom should go to the union of labors, thereby safeguarding the public interests and preventing it from being infringed upon.

Such function of property rights plays the role of maintaining the relations between the basic ownership and production of society, and is an important legal support and base for stabilizing the socioeconomic structure.

### Second, Function of Confining the Economic Acts of Property Owners

Property rights are the sum of the right to make decisions on, to receive benefits from, and of disposition of properties. A subject who enjoys the right of ownership clearly understands the potential, proper benefits derived from their decisions on and their use of such assets according to law because they have obtained the right of ownership. This thus provides them with a powerful material incentive to deal with and make use of such assets in an unconstrained and active way. At the same time, as there are express provisions concerning the

statutory authority of owners, all subjects can make clear and independent decisions on their assets, enjoy all benefits derived from the use of such assets in their production, and dispose of them, such as selling them or giving them away or bequeathing to inheritors as estate. As ownership is the ultimate right to make decisions and there is nobody who has a right prior to that of the subject, the subject's right to make decisions on assets excludes all others and is in the nature of doing whatever one wants.

In the case of right to use, the subject has no ultimate right to make decisions on assets. Rather, it has the right to use assets within a certain period of time and to a certain extent, and is subordinate and attached to the owner. For this purpose, when comparing it to ownership, this kind of usage involves the relations of benefit sharing, though it cannot bring the same and identical benefits to its owner (the benefits derived therefrom are still shared by the owner). Therefore, it still works as an incentive for stimulating the initiative of operation subject. Besides, based on the express provisions concerning the use of property right, those who operate or use properties shall, within a time limit, also unambiguously make decisions on and consume assets and economic properties for production, share the benefits derived from the use of the assets for production, and dispose of the assets within a certain limit.

The property right takes legitimate income as an incentive to stimulate actions of a subject, and takes strict restrictions on the legitimate income as constraints and standards of the subject's actions.

The role of stimulation, constraints and standardization played by property right will have an important bearing on the establishment of a new order for the socialist commodity economy. For state-owned enterprises, it will first provide in the form of express provisions the actual ownership of enterprises in their business property, guarantee that enterprises can make their own decisions on their business property, and can retain part of the revenue derived from their operations. This thus links the income of enterprises to their economic results, which will mobilize to the largest extent their initiative in production, business operation and accumulation. This is an inherent condition for enterprises to carry out rational and independent operations, and assume sole responsibility for their own profits and losses. Furthermore, the express provisions about the rights of ownership, use and disposition by enterprises over their business property will allow them to sell those fixed assets that are lying idle and offer some of their intellectual property for sale, so as to improve their economic situation. This will thus bring about acts of transferring assets, such as the merging and amalgamation of enterprises.

It should be noted that express provisions about property rights also have great importance on the formation of rational individual acts under the socialist commodity

economy. Under the traditional system of product economy, the lack of and the ambiguity about individual production put restrictions on the economic acts of individuals. For example, citizens were prohibited from engaging in any investment, and even their acts of consumption were subject to various kinds of restrictions. With express provisions on individual property right, however, such rights will be subject to the protection of state law and cannot be infringed upon. People will therefore understand an extensive and the legitimate use of properties that are in their possession (such as currency, consumer goods, real estate, and inherited property). For example, one may use his properties for their own consumption, savings, sale, rent; may give them away as gifts; and may bequeath them to his children or relatives as estate. In addition, the establishment of individual property rights provides a base on which an individual will undertake social obligations and perform duties as follows: payment of individual income tax, income adjustment tax, estate tax, property tax; payment of tuition fees on one's own expense; and so on.

### **Third, Function of Improving the Utilization Efficiency of Assets**

The main part of property rights is the right to receive benefits. A property right is related to a certain kind of economic benefits and economic income. Therefore, the implementation of property rights plays the role of safeguarding the benefits. At the same time, the definition of property rights has given the subject room to maneuver. Once it is granted by law and there are express provisions concerning the contents of the authority to make decisions on property, it may act independently and freely within the scope subject to his authority. For example, highly express provisions about principal authority concerning decisions on, use of, collection of benefits derived from, and disposition of business property of enterprises provide grounds and legal support to the independent business activities of enterprises. Therefore, the enterprises can resist infringing acts from various sectors, and thus highly mobilize their initiative of running business by totally relying on their own efforts. One can see that the "Enterprise Law" provides that enterprises shall have the independent authority to conduct compensatory transfer of fixed assets. Presently, many of China's state-owned enterprises begin offering their idle fixed assets (including their integrated property rights) and intellectual property for sale, thereby promoting the transfer, optimization and effective use of factors of production among enterprises.

Having express provisions of land property rights is a prerequisite of efficiently utilizing land. The 7th NPC had revised relevant clauses of the constitution and stipulated that the right to use land is transferrable. From now on, we should further work out through legislation various specific provisions concerning the transfer of urban and rural land, such as the term

concerning the transfer of the right to use land, the authority of a contractor regarding a transferred land, the pricing of land to be transferred, and so on. Hence, land owners may determine the way of transferring land, as well as the quantity of such assignment, in the light of the specific situation. This further promotes the transfer of the right to use land, and will make full use of China's land resources which are in scarce supply.

The phenomenon of infringing on other's intellectual property is very common in China. Some units make use of scientific and technological creation, inventions and drawing created by other units and individuals at little or no cost. Moreover, in the publication circle, acts of infringing on the rights of writers, painters, composers and singers over their works are not uncommon. In particular, acts of infringing on the rights of trademark and commodity design are so serious that they do not subside despite repeated injunctions. Therefore, we should further perfect and strictly enforce the "Patent Law of the PRC" and relevant regulations and laws, perfect express provisions about the use of patent rights, rights of publication, and trademark rights, so that we can fully and effectively utilize the above intellectual products and intellectual assets.

In short, to have no or imperfect provisions on property rights will prevent a subject from having the right to efficiently use, enjoy and dispose of his products. To the subject (individuals and enterprises), they cannot carry out comprehensive and independent business activities without the support of property rights. Therefore they would be bound in various aspects and lack vitality. To the object (all visible and invisible assets and consumer goods), they would often be left lying idle, prevented from being transferred or circulated, so that a large quantity of factors of production are used for nonproductive purposes or yield poor economic results. Therefore, to provide express provisions about the property rights of producers, and that of consumers, concerning commodities is a necessary condition for enlivening the subject, efficiently utilizing various assets and enlivening the economy, as well as a measure that should be adopted for promoting and intensifying the current reform.

### **III. Organization and Structure of Property Rights**

China's current economic reform is a fundamental transformation of its traditional system of product economy, and the establishment of a developed socialist system of commodity economy. Such reform inevitably involves major readjustment in the production relations. Its major contents include: first, macroscopic readjustment of ownership system marked by the coexistence of economy owned by the public, and the individual and private economies; and second, microscopic reform of the ownership system among enterprises marked by a system combining the contract, leasing, shareholding and mixed systems. An inevitable result of the above reform will be a diversified macroscopic socialist ownership system



and a multilevel public ownership system. A number of economic subjects different in nature will be developed, and there will be properties in the possession of or actually owned by the above subjects. The diversified property relations and, in close relation to this, the complicated contradictions of interests are the characteristics of the new economic system after reforming. In order to form and consolidate this system, we need to organize and establish property right, that is, to provide in the form of law provisions concerning the factual and rational property rights, and to form a reasonable order of property so as to safeguard and consolidate the socialist ownership system.

Generally speaking, the establishment of property rights requires unambiguous and perfect provisions of laws and regulations on: the nature of object of property, the nature of subject possessing the object of property, and the form in which and the extent to which the subject possesses the object of property.

#### **First, Nature of Object of Property**

The nature of object of property is classified in terms of usage. The property for consumption refers to general goods and products, labor and services which are consumed by people in their daily life. The property for production consumption refers to the means of production such as machinery and plants. In terms of the state, property can be classified as material property and nonmaterial property (intellectual products). In terms of circulation, property can be classified as movables and immovables. Scientific stipulations on the nature of objects of property will be the objective base for determining the possession of the above objects of property.

#### **Second, Provisions Concerning the Subject of Property**

The subject of property rights in the socialist commodity economy is the natural person or legal person. They must have independent thought and be capable persons, so that they can enjoy their rights and undertake their obligations. The establishment of property rights in the socialist environment must be based on the nature of socialist public ownership and serve the development of socialist commodity economy when making decisions on the social and natural conditions (such as class, nationality, age and so on), as well as economic conditions (such as authorized capital needed by a legal person, and so on), of different subjects of property rights.

#### **Third, Provisions Concerning the Form of Possession of Property**

The most important content of establishing the property rights is the provisions about the form, extent and scope of object (property) in the possession of subject. If the subject can exercise in full his independent wishes about the property, he enjoys the supreme, absolute and all-around right to make decisions on such property, and this is called the right of ownership. If the subject can

only exercise part of his personal wishes about the object (property), he is entitled to part of the right to make decisions, and this is the right to use or the actual ownership of property. In order to establish a property rights system under the socialist economy, people must separate the scope of the right to use property from that of ownership, in addition to distinguishing the former right from the latter one in the light of difference in the nature of subjects in various economic areas and according to different forms of possession. Moreover, we must assess the extent of realizing the above property right in the economic area.

#### **IV. Organization, Establishment of State-Owned Enterprises**

The organization and establishment of property rights among state-owned enterprises include the clarification of property rights and the definition of its scope.

To clarify the property rights among state-owned enterprises, we must first clarify and confirm the subject that is responsible for properties held by enterprises. All properties held by the state-owned enterprises are properties owned by the whole people. Their supreme subject and the ultimate subject that possess them are the whole people. In order to constantly increase the value of properties owned by the whole people, however, we must establish an effective subject to be responsible for the properties owned by the whole people, and let it make decisions on and handle the object of such properties on behalf of the whole people. At present, we should fundamentally reform the current enterprise management system marked by administrative instructions, and carry out, by economic means and through the establishment of administrative bureau for state-owned assets, macroscopic management and business operation of the state-owned properties.

The core of establishing property rights among state-owned enterprises is whether to establish a property system for state-owned enterprises or legal persons or to establish a corresponding property system. Under the ownership system of countries adopting traditional concepts, the enterprises are owned by the state, and their asset statement shows a simple status that they are state property. This unitary system of absolute ownership by the state eliminates the basis on which an independent business operation of enterprises depends. In order to establish a microscopic structure corresponding to the socialist commodity economy, independent commodity producers should be subject to the system of property ownership by legal persons so as to establish enterprises as legal persons. Its characteristics are:

First, it is an asset in respect of which an enterprise has the full right to operate it. The major manifestation of the right of state ownership is the right to transfer revenues and property certificates (such as shares). Second, property held by legal persons is the property held by enterprises for its operation, and may be called the

corresponding property. Being such, the subject does not carry with it the supreme and all-around right to make decisions. Rather, it carries with it the right to use and, to a certain extent, the right to receive benefits and of disposition, that is, to a certain extent, the existence of actually possessed assets, and such kind of corresponding property is a product of separation of the two rights. Third, property held by a legal person is the property used by an enterprise to make good the losses that it assumes sole responsibility. Enterprises run their own business by utilizing their own properties and undertaking their risks. This is the basis on which enterprises are urged to perfect their operation and management, and to improve their economic results.

To put it in a nutshell, when we establish property rights that entrust the corresponding property owned by the whole people to enterprises, the enterprises will realize a two-tier property structure which includes an absolute property owned by the whole people and the corresponding property held by enterprises for their operation. Provided that the ultimate ownership by the whole people remains unchanged, the formation of such two-tier structure will greatly strengthen the actual possession of property by enterprises, which is an important conditions for the state-owned enterprises to really run their business independently and to show their vitality.

**'Sidelights' on National Rural Work Conference**  
*HK2811094688 Beijing RENMIN RIBAO in Chinese*  
18 Nov 88 pp 1, 2

["Newsletter" by staff reporters He Jiazheng (0149 0502 2973) and Jiang Xia (3068 1115): "From '3:7' to '7:3'—Sidelights on the National Rural Work Conference (Part One)"]

[Text] "3 to 7" and "7:3" Indicate Two Different Economic Patterns; the Change From "3:7" to "7:3" Calls for a Corresponding Change in the Relationship Between the Two Major Economic Sectors—Industry and Agriculture

In 1949, when a big, ancient agricultural nation was reborn in the eastern part of the globe, there were no industries in most places, still less industries that were in good shape.

A nation with a backward industry is always a weak nation. To strive for a future of industrialization, the Chinese peasants in their hundreds of millions, under the leadership of the CPC, have tilled the land diligently. They have lived frugally and provided accumulation for the industry with beads of perspiration over a long period. Just as we raise our babies with milk, the ratio between China's industrial output value and agricultural output value has also changed from 3:7 in the early period of the People's Republic to 7:3 today. Historic changes have taken place in the industrial structure of the two major departments, industry and agriculture.

It is early winter in Beijing. The delegates attending the National Rural Work Conference held by the CPC Central Committee and the State Council have reached a common approach in the discussion: The reality of China's economic development at the present stage and the various problems faced by agriculture show that it is time to fundamentally change the relationship between agriculture and industry and to shift from "supporting industry with agriculture" to "subsidizing agriculture with agriculture."

Research workers have supplied the meeting with the following data: According to a comprehensive analysis of 32 countries with a per capita national income of between \$300-1,000 in 1975, the ratio between the growth rates of industry and agriculture was on the average 3 to 1. That is to say, when industry grows by three, agriculture should grow by one. In the past, when the per capita national income of such developed countries as Japan, the United States, Canada, France was at the stage of \$300-1,000, the ratio between the growth rates of industry and agriculture also generally remained at about 3 to 1.

If we make a comprehensive survey of the world, we can see that, in the course of achieving industrialization, almost all economically developed countries have experienced such an evolution: In the early period, industry is nurtured and fed by agriculture. Capitalist countries usually rely on the exploitation of peasants and overseas plunder to supply industry with primitive accumulation. In the second period, following its growth and development, industry becomes independent and no longer relies on the support of agriculture. The two major economic sectors, industry and agriculture, accumulate and develop on their own. In the later period, following its development, the industry in turn subsidizes agriculture.

As some delegates put it, when China's industrialization advanced from the starting point of "3:7," it was correct, necessary, and also inevitable to implement the strategy of "supporting industry with agriculture." From its First 5-Year Plan, given the rehabilitation of the national economy, China implemented a policy of low agriculture prices, high accumulation, and giving top priority to the development of heavy industry. Without the process of primitive accumulation supplied by agriculture, the state industrialization would be out of the question and, without the state industrialization, there would be no modernization of agriculture.

This method of accumulation has been going on for over 30 years. Now it is time to subsidize agriculture with industry. As the responsible comrade of a central department more accurately put it, now that we are in a period in which industry has a certain foundation and agriculture has some capacity to develop on its own, we should at least practice a policy of "taking from and use in agriculture" and cultivate the capacity of agriculture to

develop on its own. He said: It is necessary to appropriately readjust the ratio between the two major economic sectors and, under no circumstances should we again seek high industrial growth at the cost of sacrificing agricultural growth. Industry should not be overheated, nor should agriculture be too cold. This view has been unanimously agreed upon by the participants.

**We Have Entered a New Historical Period of "7:3" but Some Practices of the Period of "3 to 7" Still Prevail and Various Unsymmetrical Inclinations Between "3:7" and "7:3" Still Exist**

Hunan Governor Zhuo Kangning said: Hunan's total grain output was the highest in 1983, reaching 26.5 billion kg, but it has fluctuated for the following consecutive years. This year Hunan has suffered from drought and waterlogging respectively. The grain output in the Dongting Hu alone has dropped by 1.5 billion kg. Hunan is a major hogbreeding province. By the end of last September, however, more than half of the feed factories had suspended or nearly suspended production. The conditions in Hunan are quite representative. Since reform, after experiencing an unprecedented period of great development, China's grain and cotton output has fluctuated in the past 4 years.

The relevant departments have supplied the following figures:

—Our country is in a special historical period of making a transition from a low per capita national income to a medium per capita income. According to some analyses, the ratio between industrial and agricultural growth rates in the Sixth 5-Year Plan was 2 to 1. After 1985 the gap between the growth rates of the two departments suddenly widened. Between 1985 and 1987, industry grew at an average of 16.4 percent but agriculture by only 3.6 percent. The ratio between them was 4.5 to 1. Since the beginning of this year, the growth rate of industry has been as high as 17 percent, while that of agriculture has been less than 3 percent.

—In 1978 the state's financial expenses for the support of agriculture accounted for 13.6 percent of the total financial expenditure and in 1985 it dropped to 8.3 percent. In the same period, however, the state's financial expenditure rose by 66 percent. There is also an imbalance here.

—Between 1952 and 1980 the proportion of the state's investment in industry for agricultural use in the state's total investments in capital construction was 4.2 percent but it dropped to 1.3 percent in the Sixth 5-Year Plan period. The position of industry for agricultural use has weakened.

—The peasants' burdens tend to increase. According to the survey data supplied by the relevant departments, the peasants' social expenses account for 10-15 percent of their net income.

These data tell us that the series of problems in agriculture over the past few years are related to the phenomena of "overheated industry and over-cold agriculture" in the national economy, as well as the strategy of "supporting industry with agriculture" which has developed for a long time.

**Given the Pattern of "7:3," Industry and Agriculture Have Set New Demands for Each Other; the Period of Moving From "Supporting Industry With Agriculture" to "Subsidizing Agriculture With Industry" Should Begin**

The delegates unanimously hold: We should by no means say that, since China's industry has attained tremendous development, the status of agriculture as a foundation has changed. On the contrary, we should be resolved to put in a lot of energy and money to speed up agricultural growth.

After reviewing the history of China's socialist economic construction, the delegates have profoundly realized that correctly handling the relationship between industry and agriculture and, while developing industry, ensuring the position of agriculture as a foundation is a matter of the utmost importance to improving the economic environment and achieving the sustained development of the economy. If industry develops too quickly while agriculture develops too slowly, agriculture is bound to impede industrial development. In the 1960's and 1980's on two occasions China was forced to readjust in a big way the relationship between industry and agriculture precisely because the two major economic sectors was seriously out of proportion. In the course of the readjustments we could not but pay a high price by abandoning industrial projects in a big way. Through the two major readjustments, agriculture again grew in an all-around way, boosting the coordinated development of the national economy as a whole.

In shifting from "3:7" to "7:3," agriculture should be strengthened rather than weakened. This is because industrial growth and more workers call on agriculture to provide more and better raw materials and food but, more importantly, industrial growth must depend on the the wide market in the rural areas.

"Food is the first necessity of the people." Let us take food as an example. In our advance from having adequate food and clothing to being fairly well-off, per capita food consumption is bound to rise quite rapidly. According to a survey conducted by the relevant department in three municipalities and five provinces, per capita grain consumption has exceeded 400 kg. A decade later, when per capita national income reaches the level of \$800, per capita grain consumption will at least reach 450 kg. By the end of this century, even if we ensure per capita grain supply for urban and rural residents at only 400 kg, we have to produce 500 million tons of grain annually. Our annual grain output now stands at about 400 million tons. If we want to achieve the objective, we



should progressively increase our grain output by an average of about 10 million tons annually. Judging from our present infrastructure, production conditions, and technological level, this is a fairly arduous task. Without the support and subsidy of industry and without an increase in agricultural input, it will be impossible to achieve this objective.

Since the beginning of 1978, Zhejiang Province, which has a fairly developed economy, has expanded and developed the practice of "subsidizing agriculture with industry" among the township and town industries in individual townships or villages into the establishment of the county-level agricultural development funds system on a provincial scale. Over the past year and more, the agricultural development funds raised at the county, township, and village levels throughout the province has reached 375 million yuan. Compared with the period before the establishment of the funds, agricultural capital input has increased by about 100 percent. Zhong Borong, director of Zhejiang Province's rural policy research office, holds that the fundamental aim of this practice is to coordinate the relationship between industry and agriculture and to increase the vitality and capacity of agricultural production for future development.

During the meeting, the state has defined a series of channels to ensure a steady increase in agricultural input. As of next year, the state will institute an agricultural funds system on a national scale and plan to draw a certain amount from the total extrabudgetary funds as agricultural development funds; the extra taxation collected from township and town enterprises will chiefly be used in agriculture; all provinces may draw technological improvement charges from the grain operational links to be used in technological popularization and so on. All these have filled the delegates with enthusiasm.

We may well say this is the beginning of "nationwide efforts to 'subsidize agriculture with industry'." From one strong signal after another the delegates have noted a new beginning to further coordinate the major production pattern of the national economy.

**Price Problems Seen in Cotton Growing Industry**  
*HK2811061688 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 28 Nov 88 P 3*

[By staff reporter Guan Shan: "Price Falls Tease Spirit Out of Cotton Growing]

[Text] All is not well in China's cotton growing industry, bedevilled by many ups and downs over the last few years, and there are fears that this year's State purchasing plan will not be fulfilled.

Ministry of Commerce statistics show that by October 15 only 969,766 tons of cotton was purchased, just half the amount bought by the State in the same period last year. This is in spite of the fact that 10 per cent more land has been devoted to cotton growing.

The Commerce Ministry has already cut down its original purchase plan of 43.85 million tons to 38 million tons.

Officials said the problem arose from growers' reluctance to sell to the State-run purchasing stations. They often kept their crop in storage in the hope of a higher price.

But the problems are not confined to purchasing. Next year many growers will be switching to growing crops other than cotton for which they will get a better price. More land was devoted to cotton growing last year because of government compulsion.

A survey conducted in Heishan County, Heilongjiang Province, an area famous for high quality cotton, predicted that no one will plant cotton next year because of price rises for cereals and chemical fertilizers and the unchanged, if not lowered, cotton price.

The country's cotton harvest is good this year, according to the ministry. Losses caused by bad weather in Hubei and Hunan Provinces have been almost offset by bumper harvests in Jiangsu Province and other major growing areas. The assessment of output should prove in fact to be much higher than the current statistical results by local governments. They are inclined to give false reports on yields so as to reserve cotton to feed local mills which were not established under the State plan, or trade the reserved cotton on free markets at higher prices.

In 1984 the State took many effective measures to encourage cotton growing. Some incentives such as chemical fertilizer subsidy were given to growers. These achieved a bumper harvest but led to problems over storage and purchasing. So the subsidies were abandoned the following year, bringing about a fall in output and an eventual shortage.

Many mills had only 70 per cent of the raw cotton they needed.

So some preferential treatment was resumed in 1987 to stimulate growing. Mills were persuaded to give some of their profit to growers and the State also offered a 30 yuan subsidy on each bale of cotton (200 kilogrammes). However, most of the subsidies were taken by the middle profiteers before they reached the growers.

The Ministry of Commerce has decided that a rigid purchasing system will be set up this year in response to the State Council's decision to close cotton free markets.

### East Region

**Fujian's Chen Guangyi at Yang Deming's Funeral**  
*OW2811121288 Fuzhou FUJIAN RIBAO in Chinese*  
17 Nov 88 p 1

[Excerpts] A memorial meeting for Comrade Yang Deming, staunch proletariat revolutionary fighter, excellent member of the Communist Party, Standing Committee member of the Fifth Fujian Provincial People's Congress, former chief of the provincial Civil Affairs Bureau, vice chairman of the provincial Committee for Construction of the Old Revolutionary Base Areas and concurrently director of the Office in Charge of the Old Revolutionary Base Areas, and retired Red Army veteran cadre, was held in the auditorium of the Wenlinshan Cemetery for Fallen Revolutionaries in Fuzhou on 14 November.

Comrade Yang Deming died of an incurable illness at the age of 80 on 7 November 1988.

The memorial meeting was presided over by Comrade Wu Hongxiang. Comrade Cheng Xu delivered a memorial speech. Chen Guangyi, Wen Fushan, Lin Yixin, Zuo Fengmei, Lu Sheng, and Wang Zhi attended the memorial meeting. [passage omitted]

While Comrade Yang Deming was hospitalized due to his serious illness, Wang Zhaoguo, Jia Qinglin, Lin Kaiqin, Wei Jinshui, Jia Jiumin, Zhang Gexin, and other leading comrades called on him.

The ashes of Comrade Yang Deming were interred in the Wenlinshan Cemetery for Fallen Revolutionaries in Fuzhou.

**Fujian Encouraged To Carry Out Winter Farm Work**  
*OW2811110488 Fuzhou Fujian Provincial Service*  
in Mandarin 1100 GMT 23 Nov 88

[Text] The Fujian provincial government began to hold a 4-day meeting in Fuzhou today to transmit and carry out the guidelines of a national conference on rural work, to map out a work plan for this winter and next spring, and to promote winter farm work in Fujian Province.

Fujian Vice Governor Su Changpei transmitted the guidelines of the national conference on rural work at the meeting. He said: By carrying out the guidelines of the national conference on rural work, we should be able to arouse Fujian peasants' enthusiasm for winter farm work, achieve various rural economic targets set for this year, and lay a good foundation for a bumper harvest for next year. He said: Under the new circumstances, we should pay more attention to winter farm work this year than we did in the past. Ideologically, we should pay attention to studying the following issues: First, we should expand the scale of winter farming. Second, we should map out reasonable plans. Third, we should carry

out assigned tasks in a practical manner. Fourth, we should pay attention to seasonal changes. Fifth, we should improve economic results. Currently, we should painstakingly exhort and encourage various households to carry out winter farm work using various propaganda work. We should create a good momentum for promoting winter farm work. Although we are currently short of money and means of agricultural production, financial departments and departments in charge of material supply must still try in every possible way to raise money and provide production means to actively support winter farm work. Other departments must also take action to support agricultural production. Governments at various levels must establish a well-managed winter farm work headquarters. Not only must the headquarters' leader make strenuous efforts to promote winter farm work, but its members must also be held responsible for agricultural production on land of which they are in charge. A responsibility system under which superior units must supervise their immediate subordinate units should be established. In addition, a number of office cadres will be sent to grass-roots units, and the provincial government will send inspection teams to various localities to inspect and promote winter farm work.

Leaders from various prefectures and cities will brief the meeting on their efforts to promote winter farm work and on this year's rural economic development in their respective localities. Leaders from the Fujian Provincial Construction Committee, the Fujian Provincial Scientific Committee, the Fujian Financial Department, and the Agricultural Bank of China Fujian Branch Office will also deliver special reports on measures they will take to support and develop agricultural production.

**Shanghai Mayor Discusses Economic Development**  
*OW2811122088 Shanghai City Service in Mandarin*  
2300 GMT 23 Nov 88

[Text] The fourth meeting of the Economic Coordination Committee for major cities along the bank of the Changjiang was held yesterday at (Tianning) Hotel in Shanghai. The aim of the committee was to help develop and enliven the economy of Changjiang basin. Since its inception 3 years ago, the committee has achieved constant progress in the work of developing and enlivening the Changjiang basin. The idea of strengthening economic ties has been accepted and supported by the areas of the river basin and comrades who share the water of the river.

Yesterday meeting was presided over by Hu Shuheng, deputy secretary general of the Shanghai Municipal CPC Committee. Gu Chuanxun, head of the Shanghai delegation and vice mayor, delivered an opening speech. Major Zhu Rongji greeted the meeting and introduced the situation of Shanghai to delegates.

He said: This year, Shanghai has achieved progress in implementing coastal economic development strategy and developing export-oriented economy. But Shanghai is still faced with many difficulties. Shanghai needs the support of other areas and wants to increase lateral economic cooperation with other provinces and municipalities.

Mayor Zhu said: Abiding by commercial discipline and laws, respecting commercial contracts and trustworthiness are the basic principles for developing lateral economic cooperation with other areas. As we practice a planned commodity economy, we must ensure the fulfillment of state plans. At the same time, to ensure the healthy development of lateral economic cooperation, we must stick to the principle of socialist commodity economy of trustworthiness, honesty, and respecting contracts. Mayor Zhu Rongji said: Shanghai has defects in this area; it should seek ways to redress them.

In developing lateral economic cooperation, Mayor Zhu called for diverse forms of economic cooperation, learning from others' strong points to offset one's weaknesses, and cooperating with other areas in the spirit of mutual benefits.

(Dai Shunzhi), chairman of the previous meeting and mayor of Nanjing, reported to the meeting the new development achieved in the areas along bank of Changjiang and its basin in developing lateral economic cooperation and the work of coordination committee in the past year.

Mayors, vice mayors, and responsible persons of relevant departments from (San Zhihua), Yibin, Luzhou, Chongqing, Fuling, Wanxiang, Yichang, Shashi, Shiqiao, Yueyang, Wuhan, (Yuezhou), Huangshi, Jiujiang, Anqing, Tongling, Wuhu, Maanshan, Nanjing, Yangzhou, Zhenjiang, Nantong, and Shanghai, 90 in all from 23 cities, attended the meeting. The meeting is expected to last 3 days.

**Zhejiang, Fujian To Use Tidal-Generated Power**  
*OW2911051588 Beijing XINHUA in English*  
0659 GMT 28 Nov 88

[Text] Beijing, November 28 (XINHUA)—China is now making feasibility studies on the building of two or more large tidal-powered generating stations before the end of the century so as to alleviate its present energy shortage.

The "PEOPLE'S DAILY" reported today, the stations will likely be built in Zhejiang and Fujian Provinces.

Work on a tide-powered generating station, believed to be the third largest of its kind in the world, is already well under way in Zhejiang Province.

So far, 5 generating units, each with a capacity of 3,200 kilowatts, have been installed at the station, the Beijing-based paper said.

China now has 191 tide-power stations, each with an installed capacity of over 500 kilowatts, along the country's 18,000 kilometers of coastline.

Most of the stations are located in east China's Shandong, Jiangsu, Zhejiang, and Fujian Provinces and the Shanghai Municipality, according to a recent survey.

The survey also found that China's tide energy suitable for exploitation is enough for installing generators with a combined capacity of 21.58 million kilowatts.

They may produce 61 billion kilowatt hours (kwh) of electricity annually—8 times the power generating capacity of the Gezhouba hydro-electric station, one of the largest such facilities in China, the paper said.

### Central-South Region

**Guangdong Stresses Increasing Grain Production**  
*HK2911014788 Guangzhou Guangdong Provincial*  
*Service in Mandarin 0400 GMT 28 Nov 88*

[Text] A provincial rural work conference opened this morning at Zhudao Guesthouse in Guangzhou. Secretary Lin Ruo of the provincial party committee presided over the meeting and both Deputy Secretary Guo Rongchang and Vice Governor Ling Botang delivered speeches.

The meeting maintained that grain production is the most important problem for agriculture. After the 3d Plenary Session of the 11th CPC Central Committee, grain production in our province increased substantially year after year. But since 1984 saw a sharp increase in gross grain output, grain production has made no progress for years running. The absence of an increase in grain production had a direct bearing on the development of animal husbandry, and thus meat was in somewhat short supply. Many facts show that agriculture is the foundation of the national economy and that grain is the foundation of the foundation.

The meeting pointed out: Under the new situation of carrying out reform and opening up to the outside world, leaders at various levels and various departments of our province must make earnest efforts to achieve unity of thinking in taking agriculture as the foundation, place the vigorous development of agriculture in an importance position, pay adequate attention to investment in agriculture, increase the staying power of agricultural development, and be resolved to strive for a bumper harvest next year by all kinds of means.



**Opium Smuggling Discovered in Guangxi City**  
*HK2811105888 Beijing ZHONGGUO XINWEN SHE*  
*in Chinese 0303 GMT 26 Nov 88*

[Report: "A Case of Opium Smuggling Has Been Cracked in Guangxi"—ZHONGGUO XINWEN SHE headline]

[Text] Nanning, 26 Nov—Several days ago a major case of opium smuggling was discovered in Pingxiang, a city of strategic importance in the southern province of Guangxi. A total amount of 6.75 kg of opium and the smuggler were handed over to the local Public Security Department for examination.

As reported, the smuggler was a young man from Pingxiang City named Zhang Jinrong. He bought it from a smuggler in Vietnam at the price of 270,000 yuan, averaging 40,000 yuan per kg. The relevant department seized him in Pingxiang while he was trying to transport the opium elsewhere on a night train from the city to Nanning.

Reports say that this was a major opium smuggling case discovered in Pingxiang City for the last 40 years.

**Chen Huiguang at Guangxi Rural Work Conference**  
*HK2711040988 Nanning Guangxi Regional Service*  
*in Mandarin 1100 GMT 26 Nov 88*

[Excerpts] A regional rural work conference was convened in Nanning today by the regional party committee and people's government. Wei Chunshu, deputy secretary of the regional party committee and chairman of the regional government, presided.

Chen Huiguang, secretary of the regional party committee, made an important speech. The main contents were: 1) The whole party must pay attention to agriculture. From the region down to the prefectures, counties, and cities, the party and government leaders must devote their main efforts to rural work and agricultural production. 2) Establish a strong and effective command system and a highly efficient service setup, to ensure the fulfillment of the agricultural production tasks for next year.

He said: In implementing the spirit of the national rural work conference, we must continue to deepen our understanding of agriculture. To a very great extent, the region's success in improving the economic environment and rectifying the economic order will be determined by whether we can achieve steady growth in agriculture, especially grain. The party committees and government at all levels must devote their main efforts to agriculture. [passage omitted]

Tao Aiying, deputy secretary of the regional party committee, relayed the spirit of the national rural work conference. Chen Ren, vice chairman of the regional

government, then delivered a speech entitled "The Whole Party Must Set to Work and Make Concerted Efforts To Reap a Bumper Harvest Next Year."

Chen Ren spoke first on the rural situation and grain production. He said: We should affirm that the region's rural economy has made relatively great progress during the 10 years of reforms. [passage omitted] However, the existing serious problems are: Grain production has stagnated since 1984; and the decline in grain output has aggravated the demand-supply contradiction. The aim in summing up these experiences and lessons is to unify people's understanding of the foundation status of agriculture, exercise correct leadership, and take still more effective steps to promote grain production. Winning a bumper grain harvest is the primary task in economic work next year. [passage omitted]

We should restore grain output to the 1983 level in 2 or 3 years. The whole party must get mobilized and all sectors and trades and the people of all nationalities must make concerted efforts to achieve this important goal. [passage omitted]

**Radio Commentary Views Henan Power Shortage**  
*HK2911001188 Zhengzhou Henan Provincial Service*  
*in Mandarin 1030 GMT 27 Nov 88*

[Station commentary: "Gain a Clear Perspective of and Think About the Power Supply"]

[Text] Recently, there have been numerous power failures in many districts of our province's capital city, Zhengzhou, which in fact should have seen a myriad of twinkling lights when night falls. The power cut has often occurred in both industrial and residential areas of the city, people are complaining about this very much. Especially in the 4th quarter of the year, power shortage has become a matter that people are very concerned about and it is a headache for them.

At present, the whole province consumes an average of over 64 million kilowatt-hours a day, a decrease of more than 10 million kilowatt-hours compared with the first 3 quarters of the year. There are two reasons for power shortage in our province. The first reason is the seasonal reduction of output by the power supply network in central China. Between the 4th quarter of this year and the 1st quarter of the coming year, the Gezhou Dam, which supplies electricity to the power supply network in central China, is in a dry season and its electric energy production will be reduced by a large margin. As a result, the power supply network in central China should transfer over 300,000 kilowatt-hours every day from Henan to other provinces, instead of supplying power to Henan as in the 2d and 3d quarters of the year. The second reason is a shortage of coal for generating electricity. At present, coal reserves for major power stations in our province are all under the warning line. Due to the lack of coal, a certain number of generating units in our

province stopped production in the 1st half of November. Since winter set in, there have been increasing strains on railway transport and the climate is getting worse with each passing day. It is very difficult to fulfill the target set by the Ministry of Energy of reserving 450,000 tons of coal by the end of the year. In addition to this, in the first 10 months of this year industrial growth of our province maintained a high rate, and electric appliances have become more popular. Thus consumption of electricity for both industrial use and daily life has increased substantially. Meanwhile, the state will transfer more power from Henan Province to other provinces in the coming year and more and more generating units in our province will be repaired. All this has led to a reduction in the power supply for our province in the 4th quarter of this year and will bring about a crucial situation for the power supply this winter and next spring. Taking Zhengzhou as an example, there have been increasing strains on the power supply in the city because no new generating units were installed in recent years and the provincial authorities ignored features of a province's capital city in distribution of power. In the first 9 months of this year, Zhengzhou City not only used up the annual quota for power consumption of municipal administration and residents and exceeded the quota by 2.7 million kilowatt-hours. In the 4th quarter of the year, the city consumed an average of 9.5 million kilowatt-hours every day, 6 million kilowatt-hours less than the previous quarters. At present the city can only ensure a normal supply of power to some key units and cannot satisfy the needs of other units.

Facing the present crucial situation in the power supply, we must resolutely ensure the power supply for industrial and agricultural production in the 1st quarter of next year. From now on, the departments concerned including railway and coal of our province must take the overall situation of the province into account and coordinate with each other to ensure transport of sufficient coal for power stations of our province in the coming few months. Meanwhile, full play must be given to the role of the existing generating equipment and small thermal power stations. During the dry season, no major repairs should be assigned to power stations supplying electricity for the power supply network, local small thermal power stations and power stations owned by some enterprises. At the same time, firm and effective measures must be adopted to slow down overheated economic growth and enterprises whose consumption of power and raw materials in short supply is too high and whose products are not daily necessities should suspend their operation and switch to manufacturing other products. Meanwhile, restrictions must be imposed on production of products which need high consumption of power and achieve poor economic results or which have reached annual production targets. Moreover, strict plans must be applied for power consumption and working shifts in factories must be readjusted rationally. Only by so doing will we be able to ease the strains on the power supply.

## Southwest Region

### Yang Rudai at Sichuan Rural Work Conference

#### Criticizes Cadres Work Style

OW2811105988 Beijing Domestic Service  
in Mandarin 2230 GMT 25 Nov 88

[Text] Yang Rudai, member of the Political Bureau of the CPC Central Committee and secretary of the Sichuan Provincial CPC Committee, severely criticized some leading cadres for their impractical work style at a Sichuan provincial meeting on rural work the day before yesterday.

Yang Rudai said: Nowadays, some of our county magistrates and secretaries are very fond of travelling to other counties and provinces. In doing so, how can they have time to visit the grass-roots units and solve peasants' real problems? This explains why rural work is enthusiastically implemented at the county level but poorly implemented at the district, township, and village levels.

He said: Sichuan's agricultural production has increased at an annual rate of 8.7 percent in the course of reform over the past 10 years. Sichuan's hog production has also increased in the past 11 consecutive years. The peasants should be credited with this achievement. He asked county magistrates and secretaries to pay attention to developing agriculture, conducting research into new rural conditions, helping peasants solve their existing difficulties, wholeheartedly doing practical work for peasants, and trying in every possible way to strive for a bumper harvest next year.

#### Views Economic Problems

HK2711022788 Chengdu Sichuan Provincial Service  
in Mandarin 2300 GMT 26 Nov 88

[Text] Provincial party committee Secretary Yang Rudai, addressing the provincial rural work conference on 24 November, called on the leading cadres at all levels to go deep into reality, step up investigation and study, pay attention to discovering new situations, and promptly resolve new problems in the course of implementing the spirit of the 3d Plenary Session of the 13th CPC Central Committee.

Comrade Yang Rudai said: Judging by what I saw during a recent visit to various places, relaying and implementing the spirit of the plenary session has indeed spurred current work and has started to produce initial results. However, there are also some new situations and problems in economic life as a whole, including rural economic life. These require serious study and solution in the course of implementing the spirit of the plenary session. These new situations and problems are currently conspicuously reflected in the following respects:

1. The capital problem. Recently, the province's financial system and the localities have done a great deal of work in controlling credit and money supply, readjusting the loan structure, doing everything possible to tap investment potentials, and striving to ensure open doors and procurement. Notable results have been achieved. Now everyone feels that capital is tight. This is the inevitable result of tightening the purse strings. It also shows that there has been some action in controlling the money supply.

However, the cuts and controls demanded by the spirit of the third plenary session certainly do not mean stifling money to death and allowing the economy to wither. At one stage the banks and credit cooperatives in some places would only take in deposits and would not allow withdrawals or loans. As a result, the capital that should have been guaranteed could not be. There was no money for procuring agricultural and sideline products or paying normal wages, and bank withdrawals could not be made good. If we go on in this fashion, our financial system will lose credibility and it will be even more difficult to withdraw currency from circulation. Things will go contrary to our wishes and the consequences for the entire economy will be serious. Therefore, in correctly making use of financial measures, we must currently seek invigoration amid retrenchment and ensure that some projects are retained while others are cut; we must turn our vision inward to get through the difficult pass together.

The financial system must use capital in accordance with priorities, and ensure the capital needed for opening the doors for business, for the procurement of agricultural and sideline products, and for increasing effective supply.

2. The pig problem. The number of pigs marketed this year has increased. The peasants' enthusiasm for raising pigs in the Guangyuan, Daxian, and Nanchong areas remains very high. However, recently there have been some bad signs in certain other localities. The peasants have been selling their porkers ahead of time, with the result that the peak market season has come earlier than in previous years. After the pigs are sold, they do not promptly replace the numbers; the price of piglets has fallen sharply and the number of sows has decreased. Some specialized households that have raised pigs on a large scale have given up the business. Unless we pay serious attention to this problem, the number of pigs may decline next year.

All localities must pay close attention to the development trends of pig-raising and properly resolve the existing problems. They must further stimulate the peasants' enthusiasm for raising pigs to ensure steady development of pig production next year.

3. The fuel and transport problem. This year, supplies of gasoline and diesel fuel in Sichuan have declined compared with previous years. There were big cuts in the 3d

and 4th quarters, and the masses complained a great deal. This problem is already quite acute and has now reached a stage when it really must be resolved. The provincial authorities have specifically reported the situation to the central authorities and asked for state assistance in resolving the province's fuel shortage.

4. The township and village enterprise problem. In the situation of cutting capital construction and controlling credit, the development of the township and village enterprises is facing rigorous tests. These enterprises should switch from seeking outside assistance to focusing on internal factors to pursue expanded reproduction, switch from looking up for capital to looking down and tapping internal sources, and switch from simply pursuing output value and growth rate to paying attention to economic returns.

Comrade Yang Rudai said: At a time when many new situations and problems have arisen in the course of economic readjustment [tiao zheng], it is inevitable that various different ideas and attitudes should arise in the party and in society. However, we must be quite clear that the guideline set by the 3d Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying the economic order, and comprehensively deepening the reforms is an integral and positive principle. Improvement and rectification are aimed at creating an excellent environment and the necessary conditions for deepening the reforms and promoting the healthy development of the economy. They certainly should not lead to a halt in the reforms and the withering of the economy, and we will certainly not permit this.

At present the economy as a whole, especially the processing industry, is overheated. However, the situation in agriculture is on the cool side and certainly not overheated. The whole party should set to work to heat up agriculture and ensure continual increase in the effective supply of grain and all agricultural produce. This should be regarded as the focal point in implementing the spirit of the third plenary session in the rural areas.

**Sichuan Satellite Ground Station in Operation**  
*HK2811124088 Beijing CEI Database in English*  
28 Nov 88

[Text] Chendu (CEI)—Xichang Satellite Communication Ground Station of the Sichuan Communication Satellite Launching Center has recently passed the examination to join the network of the International Satellite Organization.

The ground station has been officially put into operation and has begun to take charge of communication and control of domestic satellites.



The 13-meter high ground station will provide service for launching satellites from home and abroad. The ground station will also be widely used in space, aviation and telecommunication sectors.

The ground station had previously undergone 100 consecutive hours of test. It had met all requirements and was proved reliable.

Experts from the international satellite organization tested the station in various items. The test showed that the station reached all required standards.

**Another Earthquake Hits Yunnan Province 27 Nov**  
*OW2811123688 Beijing Domestic Service*  
*in Mandarin 1030 GMT 28 Nov 88*

[From the "National Hookup" program]

[Text] Station reporter (Chen Ping) reports: The Yunnan Provincial Earthquake Relief Headquarters told reporters this morning that another earthquake of 5.9 magnitude hit (Zhupang) Township in southern Yunnan at 1217 yesterday. One person was injured. No major material losses had been reported.

The epicenter of the earthquake was in the area of (Naotanshan) at 22.41 degrees north latitude and 99.48 degrees east longitude, affecting Shuangjiang, Cangyuan, and Gengma Counties. The earthquake resulted in the collapse of houses and buildings damaged by the 6 November earthquake and aggravated the damages to other buildings.

### North Region

**East Beijing Subsidence Found Causing Damage**  
*HK2611052088 Beijing CHINA DAILY in English*  
*26 Nov 88 p 1*

[By staff reporter Zheng Caixiong]

[Text] The settling of the earth in east urban Beijing has captured a lot of people's attention. Gang Rong, an official from the Hydrogeology and Engineering Geology Corporation of Beijing, told CHINA DAILY.

Statistics from the corporation show that 200 square kilometres in the east urban area have subsided about 600 millimetres since 1955. And in recent years the average speed of earth subsidence has reached 50 millimetres per year.

The earth subsidence has done serious damage to the areas, Gang said. Ground pipes have been bent and there are cracks in the floors and walls of some buildings.

The earth subsidence in Beijing was first noticed in 1935, but it was not very obvious. The area was only from Dongdan to Xidan, and the average speed of the earth subsidence was only one millimetre per year.

Beijing is a city that lacks water, according to Gang. Most of the drinking water comes from underground reservoirs but, with the growing population, new construction and developing industry, these have been depleted.

This is the main cause of the earth subsidence in the east part of the city, he said.

In addition, there has been a lack of rainfall in northern China in recent years.

The Beijing municipal government, the municipal Science and technology Bureau and the municipal Geology Bureau are now paying a great deal of attention to the problem, Gang said. The state has invested about 2 million yuan to set up a testing station, which is expected to start next May.

"We want to find out how the ground is subsiding through the test so that we can take the correct measures to control the subsidence," said Zheng Yuduo, an engineer in the corporation.

"The testing will take about two years," he said. "Right now we are mainly adopting underground water recycling."

Some factories are told to pump their cooling water back into deep wells so that the water can permeate the ground again and purify itself.

Zheng said that is a common method of recycling underground water and preventing earth subsidence.

"Meanwhile, we are urging Beijing citizens to check their daily consumption of drinking water so much water can be saved," he said.

### Activities of Hebei's Xing Chongzhi Highlighted

**At Commendatory Meeting 8 Nov**  
*SK2811132088 Shijiazhuang HEBEI RIBAO*  
*in Chinese 12 Nov 88 p 1*

[Text] On 8 November, 72 representatives of outstanding grass-roots leading cadres on the provincial public security front gathered together at the provincial capital to receive the honorable titles of provincial outstanding public security bureau directors and outstanding police station chiefs from the provincial Public Security Department. The Ministry of Public Security sent a congratulatory telegram to the commendatory meeting. The meeting was attended by the provincial leading

comrades, including Xing Chongzhi, Lu Chuanzan, Chen Yujie, Wang Dongning and Du Jingyi, and responsible comrades of the Shijiazhuang Prefectural and city departments concerned.

These 72 comrades commended were selected from 605 county (district) public security bureau directors and 1,842 police station chiefs throughout the province after extensive discussions and consultations. Lu Chuanzan, deputy secretary of the provincial party committee, addressed the meeting. He praised the comrades for using their own exemplary acts and outstanding work to manifest the leadership ability, ideology, and moral character of outstanding grassroots leading cadres and said that they were models that all public security cadres and police should emulate.

While touching on future work, Lu Chuanzan said: Our province's current situation is good in general but some destabilizing factors are still present or hidden. He called on the public security organs to pay attention to dealing resolute and strict blows to all economic crimes that disrupt the economic environment and order, play a role as "iron fists" in the course of improving the economic environment and rectifying economic order, pay close attention to and handle accidental incidents in a timely manner, continue to implement the principle of dealing strict blows to criminals, struggle against serious criminal activities, and continue to strengthen management over social security. In addition, public security organs should strengthen self-cultivation and rectification, keep clean and honest, observe laws and discipline strictly, and enforce the law strictly.

Also attending the meeting as special representatives were Mu Tianyi, director of the Zhaoxian Public Security Bureau; Zhou Shugong, director of the Leting County Public Security Bureau; and Wang Zhitang, director of the Xinhua Public Security Sub-bureau in Shijiazhuang City, who were named national outstanding public security directors by the Ministry of Public Security.

**Attends Work Committee Inauguration**  
SK2811014688 Shijiazhuang HEBEI RIBAO  
in Chinese 10 Nov 88 p 1

[Excerpts] On the afternoon of 9 November, a leading comrade of the provincial party committee announced a decision to change the CPC committee of the organs directly under Hebei Province into the CPC work committee of the organs directly under the province, which will be an agency of the provincial party committee to exercise unified leadership over the work of the party organizations of the organs directly under the province.

Leading comrades of the provincial party committee, including Xing Chongzhi, Lu Chuanzan, Qu Weizhen, Bai Shi, and Chen Yujie, attended the inaugural meeting. Xing Chongzhi delivered a speech. [passage omitted]

Qu Weizhen, Standing Committee member of the provincial party committee and director of its organization department, announced at the meeting that Fu Jiaqin would serve as secretary, and Hao Tinghua, Gu Yinxiang, and Shi Wuxue deputy secretaries of the work committee of the organs directly under the province; and that Fu Ping would serve as secretary, and He Enhong and Yue Zhenkui deputy secretaries of the discipline inspection work committee of the organs directly under the province. [passage omitted]

**At 8th Women's Congress Opening**  
SK2811034888 Shijiazhuang HEBEI RIBAO  
in Chinese 10 Nov 88 p 1

[Excerpts] The Eighth Women's Congress of Hebei Province opened in the province's capital Shijiazhuang on 9 November.

More than 1,000 outstanding women from various fronts throughout the province who represented more than 28 million women across the province, got together happily to discuss mutually the big events of the province's women's movement and displayed the unified spirit of women throughout the province. This is a grand gathering with the main topics of discussion self-esteem, self-confidence, self-reliance, and self-improvement.

Attending the congress to extend congratulations on the occasion were leading personnel from the provincial party committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial people's government, and the provincial CPPCC Committee, including Xing Chongzhi, Li Wenshan, Lu Chuanzan, Zhang Chao, Ye Liansong, Qu Weizhen, Bai Shi, Li Ronghui, Chen Yujie, Li Haifeng, Wang Dongning, and Liu Ying.

At 0830 that day, the congress began amid the majestic music of Internationale. Li Meiju, executive member of the congress presidium, presided over the congress, and Yu Aifeng, executive member of the congress presidium, delivered an opening speech.

During the opening ceremony, Li Wenshan, deputy secretary of the provincial party committee, delivered an ebullient speech. [passage omitted]

During the congress, Wang Huanchen, executive member of the congress presidium, delivered a work report on behalf of the seventh committee of the provincial women's federation entitled "Carry Forward the Spirit of Self-Esteem, Self-Confidence, Self-Reliance, and Self-Improvement To Strive To Deepen the Reform Drive and To Make the Province Prosperous." [passage omitted]

That afternoon, the congress held its second session at which, Ye Liansong, member of the provincial party Standing Committee and vice governor of the province, delivered a report on the province's economic situation and the tasks of reform and construction. [passage omitted]

The congress will last for 4 days, relay and implement the spirit of the 3d Plenary Session of the 13th CPC Central Committee and the 6th National Women's Congress, discuss and approve the work report of the 8th Provincial Women's Congress, elect members for the 8th committee of the provincial women's federation, and present honorary certificates to veteran women workers who have engaged in the work on woman affairs for more than 20 years.

#### **Views Economic Environment Improvement**

SK2811050388 Shijiazhuang HEBEI RIBAO  
in Chinese 13 Nov 88 p 1

[Text.] In order to implement the guiding principle set forth by the 3d Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying economic order, and deepening the drive for reform in an overall way, responsible comrades from the provincial party committee, the provincial Advisory Commission, and the provincial people's government will go deep into various localities throughout the province in line with the work division made by the sixth (enlarged) plenum of the third provincial party committee to carry out investigation and study, to learn about the work situation, and to inspect and supervise the tasks of vigorously improving the environment and rectifying order. Xing Chongzhi and Li Wenshan have gone to the cities of Tangshan, Qinhuangdao, and Handan. Comrades Lu Chuanzan, Ye Liansong, Qu Weizhen, Bai Shi, Liu Ronghui, and Chen Yujie will also go deep into the cities and prefectures that have been assigned to them at the plenum to carry out investigation and study and to accelerate the task of improving the environment and rectifying the order.

#### **Hebei Family Planning Conference Held 14 Nov**

SK2911082088 Shijiazhuang HEBEI RIBAO  
in Chinese 14 Nov 88 p 1

[Text] Li Wenshan, deputy secretary of the provincial party committee and leader of the provincial family planning leading group, delivered a speech at the provincial work conference on carrying out the "six inspections," in which he stressed that efforts should be made to fully understand the seriousness of the population problem and the grim situation in the province's family planning work and that the task of the "six inspections"—inspecting early marriage, early birth, birth outside the plan, pregnancy outside the plan, the implementation of family planning measures, and the realization of fines against birth control violations—should be carried out thoroughly.

In his speech, Li Wenshan stated: Our province's foundation in family planning work has been weaker than before, the phenomenon of leaving the implementation of family planning measures unchecked has been serious, and 30 percent of family planning work has remained out-of-control and almost out-of-control. Hereafter, the yearly average number of marriable and fertile women in the province will reach about 600,000. If the province is able to maintain the total birth rate of 2.63 in 1986, the province will surpass the state population target of 64.5 million and have 70 million people by 2000. By the end of this century, the province would be unable to fulfill the 800 to 1000 yuan target of gross per capita product. He pointed out: The "six inspections" represent an important measure in resolutely correcting the phenomenon of leaving family planning violations unchecked and an emphasis on our province's family planning work. It is imperative for us to enhance our confidence in carrying out the "six inspections" thoroughly. He stated: In conducting the "six inspections," we have exposed seriously untrue statistical figures that mean some localities are still practicing fraud in this regard. We should no longer do such gross deceptions. Those who have practiced fraud in family planning statistical figures in the future will be called to account in line with statistical law. Those who have committed seriously untrue mistakes should be strictly dealt with and openly criticized by name. Efforts should be made to resolutely consolidate the results scored in the "six inspections" and to truly manage to frequently carry out these inspections. To fulfill this target, a good job should be done in grasping the following five tasks: 1. Efforts should be made to conduct propaganda and educational work in this regard and to implement the principle of "taking three works as main tasks." 2. Efforts should be made to bring about a change in work style and to persistently carry out the work style of earnestly seeking the truth. 3. A good job should be done in building the contingent of working personnel and the contingent of full-time family planning cadres, placing the emphasis on family planning work to the forefront at the village level, relying on the masses to organize family planning associations, and in upholding the principle of building family planning associations at the village level. 4. A good job should be done in grasping managerial systems; conducting systematic management; strictly and successfully grasping the links of marriage, birth, birth control, and sound child raising; and in truly achieving systematization, standardization, and the formation of regular practice. 5. A good job should be done in enforcing the responsibility system. Practice has shown that enforcing such a responsibility system in family planning work represents an important guarantee for achieving systematization and the formation of regular practice. We must continue to study and improve the system and must not shake in the slightest degree our confidence in the system.

In his speech Li Wenshan stressed that leading personnel at all levels should firmly foster the concept of having everyone share the responsibility of family planning and uphold the principle of grasping the "two productions"



simultaneously. Efforts should be made to simultaneously place the fulfillment of both economic and population targets on the management by objects undertaken by the principal leaders of party committees and governments at all levels. The out-of-control population growth in some localities represents the faults of their party committee and government. What is primarily important at present is to enhance leadership over the work of the "six inspections." Units which have successfully fulfilled the task of the "six inspections" should be commended or rewarded. Those which have been slow in going into action and adopted a wait-and-see attitude toward the work should be warned and ordered to correct their misdeeds within a given date. Those which have acted against the work and caused out-of-control population growth should have their party and government principal responsible personnel called to account. Those which have continued to practice fraud in conducting the "six inspections" and caused these inspections to be merely carried out perfunctorily and superficially should be strictly dealt with.

**Wang Qun at Inner Mongolian Plenary Meeting**  
*SK2911072288 Hohhot NEIMENGGU RIBAO*  
*in Chinese 7 Nov 88 p 1*

[Text] On 5 November, the regional party committee held an enlarged Standing Committee meeting to hear a report given by the regional government on implementing the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and of the regional meeting of league and city party committee secretaries, and on the situation in improving the economic environment and rectifying the economic order. The meeting was presided over by Bu He, deputy secretary of the regional party committee. Wang Qun, secretary of the regional party committee, gave an important speech. Qian Fenyong and Batubagen, deputy secretaries of the regional party committee, also addressed the meeting. Zhou Rongchang, Wen Jing, Liu Yunshan, and Yang Enbo, members of the Standing Committee of the regional party committee, also attended the meeting.

At the meeting, Pei Yingwu and Liu Zuohui, vice chairmen of the regional government, gave briefings respectively on our region's economic situation, pricing issues, screening of fixed assets, general inspection on tax revenues, finance, prices and credit, control of institutional purchases, cleaning up and consolidation of various types of companies, purchases of farm and sideline products, and industrial and communications production. In their briefings, they said: The people of various nationalities throughout the region have conscientiously implemented the series of principles and policies of the CPC Central Committee and the State Council, and earnestly implemented the three immediate fighting objectives put forward by the region. The general situation has been good. The main manifestations were: We reaped a comprehensive bumper harvest in agriculture and animal husbandry, with grain production achieving an all-time high in particular; industrial production was

developed constantly, some key projects, including pre-phase work, were carried out one after another, and the progress was smooth; financial revenues increased; and foreign export trade was expanded.

While reporting on the current existing major problems, they pointed out: Just as the whole country, our region also witnessed economic problems of varying degrees this year, such as inflation, excessively rapid price increases, overheated investment in fixed assets, putting too much money and credit into circulation, poor enterprise economic results, and chaotic economic order. The decision put forward by the central work conference and the 3d Plenary Session of the 13th CPC Central Committee on prominently placing the emphasis of reform and construction of the next 2 years on improving the economic environment, rectifying the economic order and, comprehensively deepening reform is extremely correct and timely, and is absolutely in conformity with the actual situation in our autonomous region. The current task facing us is to implement all the improvement and rectification measures of the central authorities in places where needed. By no means should we treat this task lightly. After that, they reported in detail on the specific methods and measures for the implementation.

Leading comrades of the regional party committee fully affirmed the various fields of work grasped by the regional government after the regional meeting of league and city party committee secretaries and the improvement and rectification measures and methods to be adopted in the future, and offered many constructive suggestions. Comrade Wang Qun gave an important speech.

First of all, Wang Qun agreed with the regional government's economic analysis and the improvement and rectification measures to be adopted. He pointed out: All tasks have now been carried out. However, there are still many difficulties in the course of implementation. At present, the key is to unify thinking and grasp the tasks relentlessly. He emphatically stressed six suggestions:

1. We should further enhance our understanding, try all possible means to overcome difficulties, and guarantee stable prices and appropriate development in production. Wang Qun said: Guaranteeing stability in commodity prices, which has a bearing on the party's prestige and the people's immediate interests, is a key issue in our economic work. It is an economic issue as well as a serious political issue. If we fail to keep commodity prices stable, it will be difficult to carry out reforms. We must fully understand this point. Leading comrades at all levels should proceed their work from this overall situation, consciously bear difficulties, and make sacrifices if necessary. Only by unifying our thinking can we keep in step and act in unison. This will help us overcome even greater difficulties. It is possible for men to find a solution and to open up a new path. If we fail to enhance and deepen our understanding and adopt a resolute attitude, it will be impossible for us to have solutions and

effective measures. He incisively criticized the slow actions and ineffective measures of some localities and departments and called on all localities and departments to straighten out their attitude, take conscientious actions, and take active steps voluntarily to overcome difficulties with concerted efforts.

2. Improvement and rectification tasks must be strictly carried out. We should stress strictness in improvement and rectification and should not rush through them carelessly. Only by carrying out the work strictly can we achieve good results in improvement and rectification work. It is necessary to deal heavy and quick blows in line with the law to those persons who fail to strictly enforce orders and prohibitions and commit crimes repeatedly. By no means should we be softhearted. Wan Qun called on all localities and districts to grasp typical cases and conduct investigations in a timely manner, set a time limit for the solutions, thoroughly expose cases, and strictly handle them. Cases such as the office-backed illegal dealings of the Chifeng City Metal Materials Company, the case of mixing fine wool with fake downs, and cases of using one's own name to buy state-controlled small cars, cases of tax evasion, and cases of forcing up commodity prices must be strictly handled.

3. We should continue to attend to agricultural and animal husbandry production, and grasp the building of vegetable and nonstaple food bases. Wang Qun emphatically pointed out:

The fundamental issue of stabilizing the market and the economy is to push forward the production of agriculture, animal husbandry, and nonstaple food, and the key is to grasp grain production well. In building nonstaple food bases, readjusting the rural production set-up, and rationalizing distribution, we must integrate the efforts of urban and rural areas in order to achieve coordinated development. Wang Qun called on banners and counties with favorable conditions to build vegetable and nonstaple food bases, and to gradually solve the vegetable and meat problems in one's own banner and county.

4. The purchases of grain, oil, and agricultural and sideline products must be managed in line with the stipulations of the regional government, and efforts must be made to purchase all that should be purchased. We should also strive to collect more funds to purchase more grain, protect peasants' production enthusiasm, and encourage them to unceasingly increase input. Various localities and departments should attend to various services, make concerted efforts, and try by all possible means to have bumper agricultural and animal husbandry next year.

5. We should actively think of a way to guarantee the production of products that should be guaranteed, particularly the production of light and textile products and people's daily necessities. Only by guaranteeing production can we increase effective supply, stabilize the market, and reassure popular feeling. At present we should

think of a way to grasp industrial production, commerce, and circulation. We must pay special attention to making preparations for grasping market supply during New Year and the Spring Festival. We should also make early preparations for next year's industrial and communications production, and study and solve the existing problems ahead of time.

6. We should strengthen leadership. Improving the economic environment and rectifying economic order is complicated systems engineering. We must strengthen leadership, establish authority, and make comprehensive improvements. Leaders at various levels should guide the people to correctly understand that our existing difficulties are the difficulties that emerged with reform and the way to solve them is to rely on deepening reform. It is necessary to boost the enthusiasm of the people of various nationalities throughout the region and make concerted efforts to guarantee success in reform and development in construction.

Also attending the meeting were leaders of the regional Advisory Commission, the regional People's Congress, the regional CPPCC Committee, and the regional Discipline Inspection Commission, as well as responsible persons of relevant government committees, offices, departments, and bureaus.

#### **Report on Key Projects in Inner Mongolia**

HK2811054288 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 28 Nov 88 p 1

[Text] A batch of key projects in north China's Inner Mongolia Autonomous Region will soon be well under way despite the current cutbacks in capital construction across the country.

The key projects in agriculture, energy, transportation and raw materials to continue unaffected or start soon are as follows:

Three oil projects, which are an oilfield with an annual production capacity of 7 million bbl, 365 kilometres of pipelines and an oil refinery. These will involve a total investments of 1 billion yuan:

A large chemical fertilizer factory using foreign loans, which will produce 300,000 tons of synthetic ammonia and 520,000 tons of urea a year;

The Baotou Iron and Steel Company in Baotou city, with funds, technology and equipment from the Soviet Union, will increase its iron and steel output by 1 million tons each;

The Jungar, Dongshen, Huolinhe, Yibinhe, Yuanbaoshan opencast coal mines as well as large and medium-sized power stations;

Hetao region will introduce \$60 million to bring salinization under control. It is estimated that the project will add another 240,000 hectares of high-yield fields.

### Northeast Region

**Regional Power Network's Automatic Control System**  
OW2611060888 Beijing RENMIN RIBAO in Chinese  
22 Nov 88 p 1

[By reporter Ma Yi]

[Text] Shenyang, 21 Nov (XINHUA)- An automatic control system of the Northeastern China Power Network, which has attained 1980's international standards, was checked and accepted today.

The entire automatic control system encompasses over 20 projects including an imported computer system, a new control building, communications lines renovation, and various power plants' rebuilt generator control systems. The system's multiple automatic functions include power generation control, network safety monitoring, power output control, and many others. The automatic system makes it possible to promptly control power output, consumption, surpluses or shortages of the various power plants, transformer substations, and power supply districts; and to make quick adjustments for optimum power generation and consumption. Should a malfunction occur in any generator or transmission line warning signals can be received in 3-5 seconds enabling prompt readjustments, checks, or repairs. The system also enables the network to cut production costs by reducing coal consumption 200,000-400,000 metric tons annually.

### Activities of Heilongjiang's Sun Weiben Viewed

**Speaks to Qiqihar Leaders 24 Nov**  
SK2611113088 Harbin Heilongjiang Provincial  
Service in Mandarin 1000 GMT 25 Nov 88

[Text] On the afternoon of 24 November, while speaking to principal leading comrades of the Qiqihar City party committee, the city government, and three other major departments, Sun Weiben, secretary of the provincial party committee, pointed out: Improvement of the economic environment and rectification of economic order have brought us not only temporary difficulties but also new opportunities. We should make great efforts to implement the province's policies towards reform experimental and development zones.

In his speech, Comrade Sun Weiben first affirmed the work of the Qiqihar City party committee. He said: The current economic and political situation is good throughout the city, and the provincial party committee is pleased with Qiqihar's work.

Then Comrade Sun Weiben emphatically dwelt on ways we could comprehensively understand the decision of improving the economic environment and rectifying economic order. He said: At present, We should deepen our understanding of some issues.

First, we should understand that the improvement of the economic environment and the rectification of economic order are a positive principle, rather than an expression of being passive and drawing back. We should explain in a positive way the various doubts now arising so that the masses will understand that our party's principles of reform and opening up will not change. On no account should we waver from these principles. The provincial authorities will not only honor but also satisfactorily implement the policies towards the reform experimental and developmental zones. I hope the people will strengthen their senses of responsibility and urgency, intensify their will of blazing new trials, achieve success in building experimental zones, and promote economic development.

Second, the improvement of the economic environment and the rectification of economic order have brought us not only temporary difficulties but also new opportunities. Through these new opportunities, the economy will be promoted, far from declining. We should understand that we now have four opportunities.

The first opportunity comes from the state's control of the economic growth rate. We should take advantage of this opportunity to successfully readjust our product mixture and industrial structure and to vigorously develop major products needed by the state.

The second opportunity comes from the shortages of funds and raw materials which make it difficult for a great number of inferior enterprises to exist. This has created conditions for developing enterprise groups and merging inferior enterprises into superior ones.

The third opportunity comes from the current situation which forces enterprises to expand their reproduction by tapping their potential rather than by initiating more projects. We should take advantage of this opportunity to vigorously develop new products, improve our management, promote technological progress, and improve our economic efficiency.

The fourth opportunity comes from the current tension on foreign exchange, the readjustment of tax exemption policies towards coastal import and export companies, and the shift of the emphasis for opening up from southern areas to northern areas. This opportunity favors the fulfillment of our province's principle of cooperating with the places south of the province and opening to the places north of the province.

Referring to the third issue in improving the economic environment and rectifying economic order, Comrade Sun Weiben said: We should persist in the principle of



seeking truth from facts. We should combine guarantees with restrictions and exercise decontrol and control appropriately. We should protect and develop the initiative of enterprises in carrying out reform.

On how to invigorate large and medium-sized enterprises, Comrade Sun Weiben said: To invigorate large and medium-sized enterprises, we should continue to improve the contracted responsibility system in the future and, in particular, introduce the competition and risk-taking mechanisms. Those enterprises which undertook small-scale contracts should abolish their past contracts and try to undertake new ones, and those enterprises whose contract system was imperfect should try to improve their contract system.

We should energetically encourage the merger of enterprises and strive for reasonable flows of production elements. In merging enterprises, we should clearly understand the bounds of different ownership systems and the dividing line of different administrative areas. In addition to persisting in the principle of voluntary participation, government departments should serve as the go-between in merging enterprises so that the merger of enterprises will develop more rapidly.

We should positively implement the shareholding system. The shareholding system will help us to define our property rights, separate government administration from enterprise management, strengthen workers' sense of being the masters of their enterprises, and overcome the short-term behaviors of enterprises. Therefore, this system should be experimented with boldly.

Comrade Sun Weiben arrived in the city of Qiqihar on 19 November. During the past 6 days, he has convened forums on five occasions and travelled to the (Heping) plant, the Qiqihar steel plant, the No 1 and the No 2 machine tool plants, and five other plants as well as Gannan County's (Xingshisi) and (Xinghsi) Villages to conduct on the spot investigations and to give face-to-face guidance.

**Conducts Investigations in Nehe**  
SK2811045288 Harbin Heilongjiang Provincial  
Service in Mandarin 1000 GMT 26 Nov 88

[Text] Sun Weiben, secretary of the provincial party committee; Ma Guoliang, member of the Standing Committee of the provincial party committee; Cong Fukui, secretary of the Qiqihar City party committee; and other leading comrades conducted investigations and study in Nehe County yesterday and today. They fully affirmed the strategic objective of Nehe County in stabilizing grain cultivation, paying their main attention on the industry, and developing animal husbandry and courtyard industry, and stressed that efforts should be made to continuously deepen all reforms in the rural areas, accelerate the pace of cultivating all types of trained personnel of specialized and exemplary households,

grasp various skills to become prosperous, and rely on central cities to push forward the county's industrial and agricultural production, particularly township enterprises.

**Jilin's He Zhukang on Party Building Examples**  
SK2611095488 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 20 Nov 88

[Text] On 16 November, when speaking on party building at the party committee of the Changchun locomotive plant and at the party organization of (Shangtaizi) Village in Changchun City's (Fenjin) Township, He Zhukang, secretary of the provincial party committee, pointed out: We should launch the activity of learning from and publicizing (Dang Yi) throughout the province and should vigorously summarize and propagandize the good example of the party organization of (Shangtaizi) Village as well as the excellent party member (Huang Yongzhou) with a view to further implementing the guidelines of the 3d plenary session of the 13th party Central Committee and accelerating the pace of improving the economic environment, rectifying economic order, and carrying out reform.

Comrade He Zhukang pointed out: (Dang Yi) is an ordinary party member who represents the entire staff of the Changchun locomotive plant. (Dang Yi)'s spirit is very noble and is a valuable spiritual wealth. He embodies fine qualities and noble values of party members and has fostered images of Communist Party members during the process of reform and openness, thus being the outcome of our times. The 3d plenary session of the 13th party Central Committee pointed out that in order to ensure the smooth fulfillment of the tasks of improving the economic environment, rectifying economic order, and deepening reform, we must strengthen party leadership and fully exploit our political advantages. To carry out reform and openness, (Dang Yi)'s spirit is needed; and to overcome difficulties in the way of our advance and implement the central authorities' policy decision on improving the economic environment and rectifying economic order, this spirit is all the more necessary. We should launch the activity of learning from and publicizing (Dang Yi)'s idea and carrying forward (Dang Yi)'s spirit throughout the province and should use this glorious example to realistically push forward party building throughout the province.

Comrade He Zhukang said: Viewing the overall situation, our party is strong and combat worthy. Without the firm leadership of the party and the role of party organizations and party members, it would be impossible to score such great achievements in the decade of reform in a country as big as China. This must be affirmed. However, in the process of reform and openness, there are actually some party members who have failed to withstand various tests and whose quality has declined. It is necessary to expose and solve this problem. But we cannot negate the main trend of the contingent of party members just because of this problem.

Comrade He Zhukang gave high praise to (Shangtaizi) Village in Changchun City's (Fenjin) Township for the tremendous changes that have taken place in its industrial and agricultural production and the peasants' livelihood and spoke highly of (Huang Yongzhou), secretary of the village's party organization. Comrade He Zhukang said: Your orientation is correct, your method is good, your goal is high, and your demand is strict. You have persisted in the socialist orientation under the party's leadership; you have carried forward the role of party organizations and party members; you have worked creatively by proceeding from reality; you have not stuck with old ways, far from drifting with the tide; and you have truly integrated party policies with the peasants' wishes. You have not only become well-off in livelihood, but also entered an even higher stage of ideology. All of you, from cadres to the masses, have a goal in mind and have worked hard to contribute more to the state. You have set strict demands on party members and cadres, thus leaving a deep impression on the people. You have raised the slogan of the three musts, that is, party members must do what you ask the masses to do, party branches must do what you ask party members to do, and party branch secretaries must do what you ask party branches to do. You have also set forth the slogan of three nots, that is cadres should not eat a little too much, should not occupy a little too much, and should not do a little too little work. Administering the party strictly is precisely the task which should currently be stressed.

Comrade He Zhukang said: There are some good examples in various localities and on various fronts. (Dang Yi) and (Huang Yongzhou), secretary of the party organization of (Shangtaizi) Village, are prominent representatives of these good examples. At present, it is of great significance to learn from (Dang Yi), the (Shangtaizi) Village party organization, and other advanced examples. In improving the economic environment, rectifying economic order, and comprehensively deepening reform, we should depend not only on principles, policies, and measures but also on the political advantages of our party leadership, on strengthening and improving ideological and political work, and on exploiting the role played by the spiritual and moral forces in encouraging and uniting the large number of the masses.

**Liaoning Capital Builds National Robotics Center**  
*HK2811061088 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 28 Nov 88 p 1*

[By staff reporter Zhang Yuan: "Goldfish Five Success Sets the Pace for Robot Growth"]

[Text] Shenyang—A Chinese-made underwater robot solved a 40-year-old puzzle at a hydro-electric station last month, its success marking a great leap forward for one of the nation's newest industries.

The robot, Goldfish 2, dived into 50 metre deep water at the Fengman power station in Jilin Province and within ten minutes revealed what engineers had been trying to

find out for years. The information was vital for the safety of the dam but up until now frogmen had only been able to give a rough idea of the conditions so far under water.

Leaders at the power station were so delighted that they immediately placed an order for the Goldfish 2 and its control equipment, the first sale for the producers at the Shenyang Research and Development Centre of Robotics.

The centre is being built as the first national base for research and development of robotics, including machines with "intelligence." Qinghua University, for example, has developed two such machines, one of which can play chess.

The centre, with a wide range of distinctive buildings, is still being built but work has been going on there for well over a year.

It already makes three different types of underwater vehicles, the Sea Man, the Recon and the Goldfish. Its chief engineer, Zhou Guobin, described the sale to the power station as a very good start.

He told the story of the Recon, a medium-duty underwater vehicle, which originated in America. Now the centre, which is under the Shenyang Institute of Automation of the China Academy of Sciences, is co-operating with the original U.S. makers, but this was not always the case. Several years ago the details of its construction were kept a secret from China unless the country was willing or able to buy one of them. But the success of the all-Chinese heavy duty Sea Man underwater vehicle changed that. The American company was then prepared to co-operate with the building of the medium duty Recon.

This partnership has proved so successful that now more than 60 per cent of Recon's components are China-made.

Then early this month, Recon-IV-02 was hired out for \$420 a day to take part in offshore oil exploration in the South China Sea. This is another "first" for the new centre.

Then early this month, Recon-IV-02 was hired out for \$420 a day to take part in offshore oil exploration in the South China Sea. This is another "first" for the new centre.

BUSINESS WEEKLY has also been told that the Recon-IV-03, now being made with two machine arms is to be hired out to an American company. After testing, this company has agreed to buy the vehicle which would be the centre's first export sale.

Zhou said the China-made Recon would be sold at a price of \$300,000, about \$150,000 less than similar vehicles made in the United States.

Now the centre has the capacity to manufacture in a year two Recon vehicles including control systems, and four Goldfish as well as Sea Man and other industrial robots.

China-made industrial robots can do the work of welding, assembling, and painting.

Industrial robots are expected to have a faster development in the company years because more will be needed in the prospering automotive and machine building industries of the country, Zhou said.

The First Automotive Works in Changchun, for example, will need at least 40 industrial robots. The Second Automotive Works in Shiyuan, Hubei Province, as well as other automotive makers in the country, will also need such industrial robots, according to Zhou.

Since the 1970s, China has manufactured more than 100 industrial robots. Recently, apart from moveable robots, some 10 higher grade industrial robots have been developed.

Zhou said that so far, China's first generation of industrial robots has already formed an industry. Next step for the centre will be to open up for both domestic and foreign scientists and companies in strengthening cooperation in high-tech robot research and construction.

Next month, the Northeast China Robot Group Company, whose members are research institutes, makers and end users, is expected to be established at the centre. This will create a strong unified force for the development of robots in the future.

### Northwest Region

**Gansu Mentally Retarded Forbidden To Bear Children**  
HK2711053088 Beijing RENMIN RIBAO in Chinese  
25 Nov 88 p 3

[XINHUA Report by Chen Huiming (7115 1920 2494): "Gansu Passes Local Law Prohibiting Mentally Retarded People From Bearing Children"]

[Text] Lanzhou, 24 Nov (XINHUA)—Yesterday, the Fifth Session of the Gansu Provincial People's Congress Standing Committee discussed and passed China's first local law prohibiting mentally retarded people from bearing children—the "Law on Prohibiting Mentally Retarded People from Bearing Children."

In Gansu there are over 270,000 mentally retarded people, and 2,000 mentally retarded babies are born each year. Most of these mentally retarded people live in poverty-stricken mountain areas. Their condition is

passed down from generation to generation in many families. These mentally retarded people are incapable of producing anything and are all on welfare. This is a heavy burden for society. Prohibiting mentally retarded people from bearing children can help reduce the number of mentally retarded people, improve the quality of the population, and speed up the eradication of poverty in the poverty-stricken mountain areas.

According to Gansu's "Law on Prohibiting Mentally Retarded People From Bearing Children," those mentally retarded people whose condition is either inherited or a consequence of marriage between close relatives are not allowed to bear children; mentally retarded people are not allowed to get married until they have had sterilization surgery, and those who were married before the promulgation of this law must also undergo sterilization surgery; pregnant mentally retarded women are required to have their pregnancies terminated; and people who have violated this law by directly causing mentally retarded people to bear children will be punished by both administrative and economic means.

**Yin Kesheng Voices Hopes for Qinghai Youth**  
HK2911052388 Xining Qinghai Provincial Service  
in Mandarin 2300 GMT 28 Nov 88

[Excerpts] On 28 November, provincial party and government leaders Yin Kesheng, Ma Wanli, Song Ruixiang, Tian Chengping, and others held a forum with some delegates to the eighth provincial CYL congress on how to promote CYL work in the new situation.

Provincial party committee Secretary Yin Kesheng made a speech. He expressed the hope that CYL members and young people will play a model and leading role in building the two civilizations. He said: Judging by the present conditions, young people, who account for 30 percent of the province's population, are the main force in the frontline of industry, agriculture, and animal husbandry and a vital force in the province's economic construction. CYL work is therefore very important, and we must pay sufficient attention to it and strengthen it. [passage omitted]

Yin Kesheng said: During the years of reform and opening up, young people's thinking is lively, and many of them seek tangible benefit while lacking far-reaching ideals. Some of them also drift with the tide and develop negative ideas. In view of these phenomena, the CYL organizations at all levels must adopt a variety of methods to provide correct guidance; otherwise, these young people may get into a slide and take the wrong road.

Yin Kesheng said: CYL work is facing many difficulties at present. In the face of these difficulties, we must blow the bugle for advance and make progress in the course of the difficulties. He called on CYL members and young people throughout the province to vigorously promote five kinds of spirit, that is: the spirit of being masters of the country in responding to the party's calls and acting



as the party's helping hand; the spirit of reform, pioneering, and clearing the way to forge ahead; the spirit of long-term arduous struggle; the selfless spirit of finding pleasure in helping others; and the spirit of taking the lead in establishing a new socialist atmosphere.

Ma Wanli, Song Ruixiang, and Tian Chengping also spoke at the meeting.

**Population Increase Out of Control in Shaanxi**  
*HK2611071788 Beijing RENMIN RIBAO in Chinese*  
20 Nov 88 p 1

[Report by reporter Jing Xianfeng (2529 7145 1496): "Shaanxi Provincial Government Issues Warning to Leaders at All Levels on the Partial Loss of Population Control"]

[Text] Xian, 18 Nov—"The growth of the population is very serious, and many localities throughout the province are basically still in a state of blind population growth. If we continue to fail to grasp this issue now, we will commit historical mistakes." This was a warning issued by a meeting on family planning work recently held by the Shaanxi provincial government to leaders at all levels throughout the province.

In recent years, family planning work in Shaanxi Province has been falling behind other parts of the country. This has manifested itself in the serious situation of child births not covered by the state plans. In 1985, the population of the province already exceeded 30 million. Since last year, single-birth rate has been declining continuously, whereas the rate of additional births has been as high as 23.8 percent. If no forceful measures are immediately taken, by the end of the this century the number of the new-born population will be 2 million more than the quotas planned by the state.

According to an analysis made by the provincial Family Planning Commission, there are many reasons contributing to the partial loss of control of population growth. First, there is a vast population in the mountainous area in Shaanxi, and the traditional concept of birth has been deeply rooted in the people's mind. Second, the population boom has lasted a long time, and the inertia of population growth [ren kou gua xing 0086 0656 1977 1840] is very strong. Third, in some localities the relevant policy has not been fully implemented. No measures have been taken to award those who abide by the policy, or to punish those who violate it. The policy for awarding the single child in the rural area has not been pursued for a long time. This means the government has broken its promise. With regard to those who rushed in child birth [qiang sheng 2293 3932], or give birth to additional children, they are not punished as long as they are willing to undergo vasoligation. This has actually legalized the practice of giving birth to two or more children. Fourth, the family planning organs are not perfect, and their facilities are poor. They are very weak at the grass-roots level. Fifth, statistics are seriously

incorrect, and this has covered up the facts. Since many leaders made their policy decisions in accordance with these figures, family planning work was thus hampered. In addition, the funds for family planning work are insufficient, and the work in some localities has been thrown into passivity. For this reason, the Shaanxi provincial government has stressed the necessity of stabilizing the current family planning policy. It has pointed out that the work should be firmly grasped for 5 years, so that the average annual natural population growth rate will be controlled within 1.18 percent, and by 1992 the total population of the province will not exceed 32.75 million (the current population is 30.8 million).

**Shaanxi's Xian To Get Microwave TV System**  
*HK2811234688 Beijing CEI Database in English*  
28 Nov 88

[Text] Xian (CEI)—A 120-meter high micro-wave communication tower will be erected in Xian, Shaanxi Province, to improve the micro-wave communication in southwest and northwest China that is disrupted by highrises.

The province has signed contracts with France to introduce micro-wave equipment.

In recent years, many high buildings were constructed, producing heavy noises and intervals in television signals from Xian to Gansu, Qinhai, Ninxia and Xinjiang.

The erection of the tower will solve the problems.

**Song Hanliang Speaks at Xinjiang Work Conference**  
*HK2711030788 Urumqi Xinjiang Regional Service*  
in Mandarin 1230 GMT 26 Nov 88

[Excerpts] A 6-day organizational work conference convened by the regional party committee concluded in Urumqi today. During the meeting the participants seriously studied the spirit of the national organizational work conference and Comrade Zhao Ziyang's important speech, summed up and exchanged experiences in organizational work in Xinjiang, and made arrangements regarding the questions of governing the party with strictness, deepening the reforms of the cadre and personnel systems, and ensuring that organizational work can better serve the effort to improve the economic environment, rectify the economic order, and comprehensively deepen the reforms. [passage omitted]

Regional party committee Secretary Song Hanliang made an important speech entitled "Strengthen Party Building While Improving the Environment, Rectifying the Order, and Comprehensively Deepening the Reforms." Deputy Secretary Tomur Dawamat also spoke. Standing Committee member Liang Guoying attended. (Chen Xifu), director of the regional organizational department, delivered a report.

In his speech, Comrade Song Hanliang stressed that the organizational line must serve the political line. At present, it must serve the effort to improve the economic environment, rectify the economic order, and comprehensively deepen the reforms. Party leadership is our greatest strong point in drawing together the whole party and the whole people. Xinjiang has 46,000 grass-roots party organizations and 650,000 party members. If their role is given good scope, they can influence and lead forward the people of all nationalities to unify their thinking and steps, smoothly pass through the difficulties in reform, and build a new order of socialist commodity economy.

Song Hanliang emphasized: We must grasp the work of keeping the party and government organs honest, which is a key issue, and persistently govern the party with strictness. He said: As a result of party rectification and the readjustment of the leadership groups, the general conditions of the party organizations at all levels and the party members throughout the region are good. However, there also exist many problems among the party organizations and party members, which do not match the heavy and complex tasks of reforms and building the

four modernizations that we are shouldering. The most conspicuous of these problems are political liberalism, excessive organizational decentralization, ideological individualism, and bureaucratism in work style. Although these problems appear among only a few party-member cadres, they have a big impact and do great harm. We must summon up great efforts to govern the party with strictness.

The most important thing in governing the party with strictness is to step up education. We must adopt flexible, varied, and lively forms in carrying out education and appropriately resolve a number of existing problems.

A current outstanding problem is slack party discipline, and excessive leniency in dealing with corrupt elements and unqualified party members. The party organizations at all levels must pay great attention to this problem and strictly implement party discipline.

Song Hanliang also spoke on reforming the cadre and personnel systems and on stepping up study for the party and government cadres at all levels.

## Hong Kong

### Amendment Consideration of Basic Law Continues

#### Pressure on Economic Provisions

HK2711055488 Hong Kong SUNDAY STANDARD  
in English 27 Nov 88 p 1

[By Ma Miu-wah]

[Text] Apparently bowing to local pressure, drafters have suggested moving four economic provisions in the draft Basic Law from the main text to the annex.

The chapter on economy in the Basic Law was severely attacked by local people and the Hong Kong Government for putting too many binding restrictions on the post-1997 government by laying down detailed policies.

A key drafter, Mr Yong Longgui, said the economic sub-group of the Basic Law Drafting Committee (BLDC) would concentrate its discussion today on a proposal to put four policy provisions in an annex.

Mr Yong said the drafters had taken into consideration comments from local businessmen and financial experts. He said the spirit of the Basic Law was to ensure no changes to the capitalist system for 50 years.

He said some drafters suggested reorganising the chapter into four sections instead of the seven in the current draft.

It was suggested they combine the first four parts—public finance and taxation; money and finance; foreign trade and economic relations; industry, commerce and other trades into one section called "Economy."

The original sections on land leases, shipping and civil aviation would remain, the drafters said.

Mr Yong rejected a suggestion by the governor, Sir David Wilson, that it might be inappropriate to write in too many policy provisions that could not be found in the Sino-British Joint Declaration.

"The Basic Law should be kept in line with the spirit of the Joint Declaration, but not each and every provision in the Basic Law must be covered in the pact," Mr Yong said.

He also repeated his view that measuring expenditure by revenues in drawing up budgets was a long-standing practice in Hong Kong.

Mr William Purves, an executive councillor and the chairman of the Hong Kong Bank, said earlier this was the exact opposite of current practice.

He said the budget was drawn up by measuring revenue against expenditure.

Mr Yong, a Chinese economic expert, said Mr Purves was talking about the procedure for drawing up the budget, not the basic principle.

"We can't treat a procedure as a principle," he said.

Meanwhile, a BLDC sub-group on residents' rights and duties ended its meeting yesterday with no major amendments except revisions agreed two days ago.

#### Economic Guidelines Included

HK2811041388 Hong Kong SOUTH CHINA  
MORNING POST in English 28 Nov 88 p 1

[By Chris Yeung in Guangzhou]

[Text] In a surprise move yesterday, a Basic Law sub-group refused to submit to pressure from Hong Kong businessmen to remove economic policy guidelines from the Basic Law draft.

The economy subgroup meeting in Guangzhou decided that the controversial policy guidelines, calling for a balanced budget and low tax policy, should be laid down in the Basic Law.

It had been expected that the drafters, like those in some other sub-groups, would make heavy amendments to meet the wishes of Hong Kong businessmen.

Critics say that leaving the economic policy guidelines in the Basic Law might put restraints on the government of Hong Kong after 1997.

Many businessmen and academics in Hong Kong say the guidelines should be put in a separate annex to allow for simpler amendment if necessary.

A strong advocate for putting the guidelines in the Basic Law, Mr Wong Poyan, who is local co-covenor of the sub-group, said: "We've decided to put those articles in the main text but not an annex.

"We've clarified the provisions to avoid misunderstanding."

His mainland counterpart, Mr Yong Longgui, added: "The amendment ensures the fundamental principles are clearly laid down in the Basic Law, while allowing a degree of flexibility to the future Special Administrative Region (SAR) government."

Critics said the provisions on low tax policy and a balanced budget policy were vague and open to different interpretation.

The governor, Sir David Wilson, had hinted in London during the summer that the provisions might not be in conformity with the Sino-British Joint Declaration.



The pact says the future SAR government can decide its own financial policy.

However, Article 107 of the first draft says the future SAR "shall continue to practise a low tax policy."

The amended article now says the future SAR shall continue to use "a low tax system" as a basis, implying that high tax is also acceptable.

Mr Yong said: "Although tax on commodities such as tobacco and alcohol is high, the rates for salary and profit tax are low, which attract local and foreign investors to put their money here.

"A low tax system has to be put into the Basic Law. It's up to the enlarged meeting of the drafting committee chaired by Mr Ji Pengfei to decide whether the policy guidelines should be put in an annex."

Mr Ji is to hold an enlarged meeting which will include vice-chairmen, secretaries-general and subgroup co-convenors in Guangzhou next week to study the amendments made by the five sub-groups during a series of sessions that ended yesterday.

The enlarged meeting will finalise a draft to be tabled for discussion at the next plenary meeting in January before a final draft is tabled by the Chinese National People's Congress Standing Committee in March.

Mr Yong said the subgroup would wait for the decision of the January meeting to see whether some policy guidelines should be included in an annex.

He said: "A low tax system will be advantageous to the economic development of Hong Kong in the long-run.

"We have to work out a Basic Law that meets the practical conditions and the operations of the systems now. Low tax and balanced budget are two policies now being practised."

Fierce criticisms have also been directed at Article 105 in the first draft. It says the SAR government "shall, over a number of fiscal years taken as a whole, maintain a basic balance between total budgetary revenues and expenditure".

"In principle, the rate of increase of the budgetary revenues and the expenditure of the Hong Kong SAR shall not exceed that of the gross domestic product over a number of fiscal years taken as a whole."

Mr Yong said seven of the 13 sub-group members present agreed to allow some flexibility to the future SAR in that a deficit budget was allowed as long as the overall revenues and expenditure were balanced over a period of five years.

Similarly, the sub-group also amended the provision regarding the growth of the gross domestic product (GDP).

It now reads: "In principle, the rate of increase of the budgetary revenues and the expenditure of the Hong Kong SAR shall not exceed that of the GDP over a period of five fiscal years taken as a whole."

Mr Yong said: "The amendment ensures the principles of the fiscal policy be maintained while allowing some flexibility during a period of five years. It falls in line with the present system. A deficit budget cannot be introduced over a long period of time.

"The future SAR government can also determine on its own the tax policy, including any solution to solve the double taxation problem," he said.

The sub-group also decided to maintain a provision that says "no exchange control policies shall be applied" in the future SAR.

The chairman of the Hong Kong and Shanghai Banking Corporation, Mr William Purves, who is also an executive councillor, had said earlier that the provision was only acceptable as a broad principle but not as a law, adding it should be put in a separate annex.

Mr Yong said: "We decided not to amend it. The provision is contained in the Joint Declaration. We're yet to be convinced about the demerits.

"On the other hand, the present policy of having no exchange control has contributed to the territory's prosperity."

The provision is indispensable if Hong Kong is to maintain its status as a free port, he added.

The sub-group, however, has agreed to delete an original provision that says "the issue of Hong Kong currency shall be backed up by a reserve fund of no less than 100 percent freely convertible foreign currency."

**Human Rights Provisions 'Inadequate'**  
*HK2711061288 Hong Kong SUNDAY STANDARD  
in English 27 Nov 88 p 2*

[By Ma Miu-wah in Guangzhou and Fan Cheuk-wan in Hong Kong]

[Text] The Joint Committee on Hong Kong Human Rights yesterday criticised the amended Basic Law provisions, claiming they were inadequate.

The sub-group studying residents' rights and duties decided on Friday to write an amended provision into the Basic Law stipulating that three human rights covenants should "remain in force and shall be implemented through legislation" of the future Special Administrative Region (SAR).

The covenants include the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the International Labour Convention.

But the committee was not satisfied with the amendment and suggested the full provisions listed in the International Covenant on Civil and Political Rights should be clearly stipulated as "binding in law" in the Basic Law.

The committee disagreed with Mr Simon Li, the co-convenor of the sub-group, who said it was unworkable to incorporate the covenants into the Basic Law or its annex because they were too long.

"We are just calling for incorporation of the provisions of the International Covenant on Civil and Political Rights in the Basic Law and it has only 27 provisions," a committee spokesman said.

The committee also proposed that Hong Kong should sign the covenant as a "signatory region."

"Since China is not a signatory to the covenant, human rights in Hong Kong will lose international supervision after 1997," the committee said.

However, Mr Li, speaking to THE HONGKONG STANDARD in Guangzhou, said it was not necessary for Hong Kong to sign the covenant after 1997.

"In fact, the relevant human rights provisions in these covenants have already been incorporated into existing Hong Kong laws," Mr Li said.

"If Hong Kong residents consider the SAR government is violating the international covenants after 1997, they can sue the government in the local courts."

Mr Li said international supervision over human rights protection in Hong Kong was not the key question.

The most important point was whether there would be a self-supervisory system after 1997.

"We will protect the human rights of Hong Kong people by the supervision of the local courts, but not by foreign countries. I don't think international supervision will be influential after 1997," he said.

"For example, Britain is also a signatory to the covenants. But there was no international supervision nor sanctions in previous cases of violation of the covenants."

**Chinese Official on Liberals' Basic Law Protest**  
*HK2911023188 Hong Kong HONGKONG STANDARD in English 28 Nov 88 p 1*

[Text] A Hong Kong-based Chinese official yesterday warned liberals planning to burn copies of a draft Basic Law chapter on political structure that they would be "held responsible in history."

The local Chinese official declined to be named.

He said such an action would be regarded as "not supportive" of the Basic Law, even though the copies intended for burning were not the final Basic Law version.

The draft Basic Law stipulates that post-1997 legislators must support the Basic Law. The official therefore questioned whether the liberals would be eligible to become members of the post-1997 legislature if they carry out their threat to burn the copies of the Basic Law outside the local XINHUA NEWS AGENCY next Saturday.

"If I were the one with post-1997 decision-making power, I would definitely give first consideration to their final performance. But they must also be held responsible for what they have done in the past," the official said.

He said the liberals' planned protest would be considered a negative way to express their feelings.

"It (the action) clearly demonstrates that they (the liberals) are not supporting the Basic Law. If they were, they would put it in a positive way," the official said.

Therefore, despite the fact the draft Basic Law is yet to be finalised, the official said the liberals were not supporting the mini-constitution because the part they were to burn "is still a part of the process."

He stressed that those prepared to serve the post-1997 Special Administrative Region (SAR) would not participate in such protests.

And those who supported the liberals' actions were "birds of the same feather."

The liberals also planned to protest outside the office of drafter and newspaper director Mr Louis Cha, who operates MING PAO. Mr Cha was responsible for laying out the blueprint of the latest political model—which the liberals have attacked as "undemocratic."

"I know nothing about the details of their (the liberals') plan, but in principle I think it will infringe press freedom and basic human rights," the official said.

Liberal leader Mr Lau Chinshek said last night that such comments were a threat, adding they would not bow to such "blackmail."

"Of course, everybody must be responsible for what he does in his life. But he also must stick to his principles," Mr Lau said.

"Democracy is our principle and we have long realised that democracy is not something to be granted but to be fought for.

"We do not think the protest is radical.

"Is it natural for you to speak up and protest against something unreasonable and unacceptable?

"I don't believe our political future will be decided by only one Chinese official."

Drafter Mr Martin Lee Chuming, who supported the liberals' protest, said the official's remarks sounded like a threat. He warned such threats could prompt more people to emigrate.

"I am very disappointed to hear such remarks. I doubt how authoritative he is, but it is true to say what he did was a suppressive tactic," Mr Lee said.

#### **XINHUA Spokesman Denies Story**

HK2911070288 Beijing XINHUA in English  
0615 GMT 29 Nov 88

[Text] Hong Kong, November 29 (XINHUA)—A spokesman of the XINHUA NEWS AGENCY Hong Kong Branch, at requests of local reporters to confirm whether any Chinese official had made remarks as reported by "HONGKONG STANDARD" on its front page Monday, has issued a statement.

The report, under the title "History Will Condemn Liberals' Fiery Protest..." said: "A Hong Kong-based Chinese official yesterday warned liberals planning to burn copies of a draft Basic Law chapter on political structure that they would be 'held responsible in history'..."

The spokesman's statement said: "First: The report did not disclose the name of the 'Chinese official.' According to our information available, no leading persons in our branch said the words above. We consider it irresponsible if someone made such remarks in the name of 'Chinese official' without authorization.

"Second: On the draft Basic Law chapter on political structure revised recently by the political sub-group of the Basic Law Drafting Committee, people of various circles in Hong Kong, proceeding from different understandings and experiences, have different views and demands: Some demand that democratic processes should progress faster, and some advocate steadier progress. According to the drafting procedures of the Basic Law, the current structure has not been finalized and more submissions can be put forward. We believe that the Drafting Committee will seriously consider constructive opinions and suggestions.

"We hope that persons of various circles in Hong Kong will follow the consensus reached before that Hong Kong's democratic system should proceed in an orderly way and step by step, and will continue to display the spirit of dialogue, consultation and harmony, avoid adopting fiery actions and make joint efforts to formulate a Basic Law which coincides with the principle of 'one country, two systems' and guarantees the interest of all strata of Hong Kong people."

#### **Officials To Increase Working Visits With PRC**

HK2811044988 Hong Kong SOUTH CHINA  
MORNING POST in English 28 Nov 88 p 2

[By Stanley Leung]

[Text] The Chinese and Hong Kong authorities have agreed to organise more working visits between officials next year to prepare for the 1997 changeover.

Both governments are planning about three or four "familiarisation" visits by each side next year, enabling officials to learn more about their counterparts.

This is seen as an essential exercise to ensure a smooth transfer of power.

The co-operation is expected to gain strength after the promulgation of the Basic Law in 1990 when the Chinese and British Governments will work even more closely on details of transitional arrangements.

One visit is being planned for a senior diplomat in charge of Hong Kong affairs in the Chinese Foreign Affairs Ministry, Mr Guo Fengmin, to see how the Hong Kong Government operates.

Mr Guo succeeded Mr Ke Zaishuo—also the Chinese head of the Joint Liaison Group (JLG)—as the director of the Foreign Affairs Ministry's Hong Kong and Macao Affairs Office a few months ago.

Mr Ke was posted permanently to Hong Kong in July when the JLG set up its base in the territory.

Officials said Mr Guo's delegation next year would also include other Foreign Affairs Ministry officials.

"The visit would help Mr Guo, who is involved in the formulation of Hong Kong policies, gain a first-hand experience on how Hong Kong develops," one official said.

All the visits being planned are designed for those Chinese officials who are, to a different extent, involved in Hong Kong affairs.

The first such delegation of Chinese officials, for instance, was led in May by a department head in the State Council's Hong Kong and Macao Affairs Office, Mr Zheng Weirong, who is also a Chinese member of the JLG.



During the visit, Mr Zheng studied Hong Kong's current political system, including the structure of the Government Secretariat and the Executive Council and their relationship.

Another Foreign Affairs Ministry official, Mr Chen Shiqu, led a six-member delegation on a 10-day visit to Hong Kong recently when they concentrated their studies on the formulation of economic policies.

The need for familiarisation also applies for Hong Kong officials.

"It is inconceivable if, after 1997, the Special Administrative Region (SAR) officials do not know how to communicate with the central government.

"To start with, the current officials—most of whom will continue their service in the SAR government—should gain some first-hand experience on the mechanism of the central government," said one local official.

During the visit to Beijing last month by Secretary for District Administration Donald Liao, his party toured many departments, including the Ministry of Finance, other than the Hong Kong and Macao Affairs Office.

Officials added that familiarisation visits organised for working Chinese officials would differ from those of senior Chinese officials such as Vice-Foreign Minister Zhou Nan, who is scheduled to visit Hong Kong before the middle of next year.

**Mainland Takes 'Modest Stake' in Local Firm**  
HK2811034788 Hong Kong HONGKONG STANDARD  
(BUSINESS STANDARD) in English 28 Nov 88 p 1

[By Michael Blendell, financial editor]

[Text] Another key mainland entity has taken a modest stake in the company with the largest market capitalisation on the local bourse, Hong Kong Telecommunications [HK Telecom].

The parcel is understood to represent about 0.5 per cent of the telecommunications giant's issued capital (its market capitalisation is twice the size of erstwhile heavyweight Hong Kong and Shanghai Bank) and therefore would involve some 50 to 60 million HK Telecom shares.

This follows the 10 million shares that Guangdong Posts and Telecommunications—representing about 0.1 per cent of HK Telecom's then equity—picked up last June.

And Bank of Communications, a Chinese state-owned bank, recently launched a \$200 million bond issue with detachable warrants exercisable to a total of 20 million shares, or about 0.2 per cent, in HK Telecom.

These stakes must be viewed as a vote of confidence in the company and a sign of good faith in the territory by China, on the one hand; and as a tactical sale by HK Telecom parent Cable and Wireless [C & W] PLC on the other...although, at this stage, it is unclear whether the latest parcel comes purely from C & W or the Hong Kong Government as well.

HK Telecom, of course, will next month offer between 713 and 788 million shares, representing 6.4 to 7.1 per cent of its equity, through a combination of private placement and public offer.

Ignoring the latest placement to the mainland entity, this would pare C & W's stake in HK Telecom to 76 per cent and government's to 7 per cent.

The offer price and the exact size of each offer should be announced this week—or next at the very latest—at which time HK Telecom will doubtless identify the latest mainland source of interest.

HK Telecom shares, incidentally, finished 5 cents off at \$5.10 on Friday and it is understood that the offer is meeting solid institutional demand—particularly in the UK and U.S.—at the lower levels prevailing since the placement was first mooted.

**Retailers Hope To Employ Vietnamese Refugees**  
HK2711061688 Hong Kong SOUTH CHINA  
SUNDAY MORNING POST in English 27 Nov 88 p 1

[By Mandie Appleyard]

[Text] Major retailers are hoping to employ up to 2,000 Vietnamese refugees in Hong Kong stores before Christmas in a radical bid to solve a recruiting crisis which has reached desperate levels.

The move would mark a milestone in the slow process of liberating the refugees, many of whom have spent years living behind fences in closed camps.

In what would be the biggest recruitment drive of its kind, retail chiefs now see the Vietnamese refugees as the only remaining source of extra labour to fill 43,000 vacancies which remain empty in the hard-hit retail sector.

And with an even bleaker future in sight as more shops and hotels open and join the hunt for a workforce, the Retail Management Association [RMA] last week repeated its long-standing plea for government to lift restrictions on imported contract labour.

Wellcome, Park 'n' Shop, Watson's, Mannings, Wing-On, Sincere and the fast-food chain Cafe de Coral are among the major retailers believed to have shown a committed interest in the employment of refugees from

local centres as warehouse workers, shelf-stackers, sales assistants, cleaners and check-out attendants, on a minimum monthly wage of \$3,000 for those starting work before January 1.

Members of the Retail Management Association interested in employing Vietnamese refugees have been asked to return an application form by Wednesday so that visits and on-site interviews at the centres can be arranged.

Mr Ian Wade, chairman of the association and managing director of the A.S. Watson group, said response had been good and pledges had been made that refugees' earnings would be on a par with their Chinese colleagues.

Retailers were not just looking for cheap labour, he said.

"The industry very much supports the use of Vietnamese labour. What it does, apart from helping the retail industry, is to release the vacuum for other sectors as well. We are positive and hope the refugees can work together with us to solve the problem."

The construction and manufacturing industries are most usually linked with Hong Kong's acute labour shortage but yesterday Mr Wade said:

"The retail industry is probably hit more badly than anybody by the labour shortage. We are now talking about a 20 percent shortage. Out of a workforce of 220,000 we have more than 40,000 vacancies and these are across-the-board vacancies such as sales, shelf-filling, check-outs, clerical and warehouse work.

"Management recruitment is an issue, but it's the Indians rather than the chiefs that are the main problem. This has now become a real problem which, it would be fair to say, has reached crisis level. We are getting to panic measures as to how we'll keep certain stores open," he said.

These measures include staff working split shifts or overtime at different stores and being bussed around the territory to keep some shops open and running. Hong Kong Island is said to be the worst hit area. Retailers are looking for more part-time staff, and at improving training methods, increasing salaries and offering allowances to make some jobs more attractive.

Pay increases in the retail sector have ranged between 15 and 25 percent this year as part of that drive.

"It's a desperate situation," Mr Wade said. "People are pretty tired out there. They are switching from known job roles into something completely different and that exacerbates the problem. More retail outlets are opening up, and with more hotels coming on stream next year and looking to recruit from the retail sector, it seems it can only get worse.

"We had some respite last summer with students, when schools were on holiday, but we are back in dire straits now. The retail industry is important to Hong Kong, as we keep hearing from the sales tax issue, and we are not offering the service that we should, to locals or to tourists."

The retail sector employs more than 10 percent of the working population.

"This is the biggest crisis of any industry and it has implications for Hong Kong in terms of tourism and inflation and demotivation of the workforce. The service industries of Hong Kong are responsible for about 50 percent of the gross domestic product.

"Labour is being drained into China by Shenzhen and surrounding areas, and with manufacturing moving into China, Sri Lanka and Thailand, the retail industry will be one of the main bearers of the brunt of keeping Hong Kong afloat.

RMA members hope to recruit from the Shamshuipo, Tuen Mun, San Yick and Pillar Point Refugee Centres and to have extra workers in the stores within a month.

"We had hoped the system would work quicker than it does. Initially we are asking for anything up to 2,000 refugees, depending on suitability," said Mr Wade, who puts the number of refugees between the ages of 17 and 40 and available for work at around 7,000.

He believes many of them will be taken on as backroom people.

"In some cases, language difficulties would make front-end operation a problem. We'd be looking to put them in the back end of the business and move local people forward," he said.

A couple of smaller business supported the principle of Vietnamese refugees being employed to take pressure off the local workforce but said they would not be able to do so personally for fear of upsetting existing Chinese employees.

Mr Wade admitted there might be some resentment and "sensitivities".

He said the association's appeal to the government to relax restrictions on importing foreign labour had fallen on deaf ears.

"The government has shown total reluctance to import workers. We would like it to look at the possibility of importing people from the Philippines, Malaysia and Thailand—those speaking English—with a view to importing them on a fixed-contract basis and, if the economy runs down, returning them to their countries of origin.

"We are talking about more than 40,000 people. This is not just today's problem. It is also next year's problem.

"We have had discussions with the government, asking to be allowed to import labour, and we have been refused other than for those with specific skills, which includes management."

Government policy allows entry to workers with special skills which are in short supply, but is opposed to the large-scale importation of unskilled workers.

Ms Siew Mei Ang-cheung, project director with the Hong Kong Christian Aid to Refugees' Job Placement Unit, welcomed the move which, she said, would help speed up the liberalisation process. Most Vietnamese refugees already going out to work are involved in the manufacturing sector.

"Any big employers would make a major improvement for us. If (employers) are taking three or four at a time, it takes a long time. If they can offer us 400-500 jobs at one go, it helps liberalisation tremendously," she said.

**PRC Asked To Help Prevent Illegal Immigration**  
*HK2911043588 Hong Kong SOUTH CHINA*  
*MORNING POST in English 29 Nov 88 p 3*

[By Simon Macklin]

[Text] The government has asked Chinese authorities to help quash a rumour which they believe might lead to a renewed flood of Vietnamese illegal immigrants arriving in the territory from China, Secretary for Security Geoffrey Barnes said yesterday.

The number of ex-China Vietnamese illegal immigrants arriving in the territory has been increasing in recent months and Security Branch officials say they have received information more could be on their way.

Rumours that the Hong Kong Government has issued an amnesty to Vietnamese settlers from China appear to have stimulated the new influx, officials say.

Mr Barnes said he had asked the Chinese authorities to help explain to Vietnamese settlers they could not enter Hong Kong illegally.

"The Hong Kong Government has asked for the assistance of China in publicising the fact that such people (Vietnamese illegal immigrants from China) will not be permitted to live in open camps in Hong Kong. Nor will they have access to resettlement," Mr Barnes said.

"The number of former China Vietnamese illegal immigrants arriving in Hong Kong has been small over recent months but those who have arrived have reported that misleading rumours are circulating," he said.

"Unlike the Vietnamese refugees in Hong Kong, such people will not benefit from the liberalisation program and they will not have access to resettlement opportunities.

"They will be repatriated to China as soon as arrangements can be made," Mr Barnes said.

The number of arrivals has been relatively small but officials say they have received intelligence reports that more might be on their way.

So far this month 61 Vietnamese illegal immigrants from China have arrived in Hong Kong, compared with only three last month and 29 in September.

Last year, more than 7,500 Vietnamese boat people from China arrived in Hong Kong in the space of a couple of months following a spate of rumours in Chinese farming communities along the coast of China where Vietnamese refugees settled more than 10 years ago.

The former China Vietnamese illegal immigrants were all repatriated to the mainland after the Chinese authorities verified their identities.

The principal assistant secretary for security, Mr Alan Fung Kin-kwong, said it was not clear who had started the rumours or if snakeheads were capitalising on the misinformation.

"Someone seems to be spreading this rumour in China that if they come here the Vietnamese might be able to work. We want to nip this in the bud and avoid a repeat of last year," Mr Fung said.

"We don't want to see these people risking their lives to make the futile journey to Hong Kong when they will simply be sent back home."

The Hong Kong Government had already approached authorities across the border to ask if they could assist in stopping the influx, he said.

But no response had yet been received from the Chinese authorities as to whether they had been able to assist the Hong Kong Government in quashing the rumours.

There are currently 287 former China Vietnamese illegal immigrants in Hong Kong awaiting repatriation to the mainland.

**Experts View Future of UK Military Facilities**  
*HK2911042188 Hong Kong SOUTH CHINA*  
*MORNING POST in English 29 Nov 88 p 2*

[By Stanley Leung]

[Text] A team of defence and public security experts from Beijing are holding crucial discussions with their UK counterparts on the future disposal of British military facilities in Hong Kong.



During a two-day meeting at Colvin House in Admiralty, the Sino-British Joint Liaison Group's (JLG) defence and public order sub-group is expected to tackle the future development of British Army barracks in the territory and the transfer of military installations by 1997.

Emerging from the first day's meeting, the JLG officials were tight-lipped about what had been discussed and said a short statement would be issued at the end of the second meeting today.

The leader of the 13-member Chinese team, Mr Wang Jiaji, who is also a Chinese JLG member, said the future use of HMS Takmar might not necessarily be discussed at the current meeting.

The Chinese team includes Mr Yao Shiran from the Ministry of Defence and Mr Zhao Yabin from the Ministry of Public Security, both of whom took part in the sub-group's previous discussions.

Mr Yao and Mr Zhao were also among the Chinese experts attending a full JLG meeting in Beijing about a year ago when it was decided the police would be expanded to take over the British Army's border duties.

The team includes two officials each from the ministry of Defence and the Ministry of Public Security, with another official from the Foreign Affairs Ministry.

Some Chinese JLG officials based in Hong Kong are also taking part in the discussions.

Observers said the JLG had not yet decided on the future of HMS Tamar despite reported British plans that it could be turned into a future British consulate or the secretariat for the Hong Kong Special Administrative Region.

The British team leader, Mr Doug Martins, said no visit to army barracks would be arranged for the Chinese experts this time because this kind of trip had been organised before.

He said the sub-group was only holding routine and general discussions on defence topics during the current session.

Members of the British team include a representative of the British forces, Mr Alan Ironmonger, Deputy Secretary for Security Robert Upton, Principal Assistant Secretary for Security Kim Salkeld, Deputy Political Adviser Stephen Bradley and Deputy Secretary for General Duties Donald Tsang Yam-Kuen.

**Policy on East Bloc Visitors Slated To Change**  
*HK2611024988 Hong Kong SOUTH CHINA MORNING POST in English 26 Nov 88 p 1*

[By Jamie Allen]

[Excerpt] Visitors from Eastern bloc countries will be allowed to enter Hong Kong as delegates to international conventions and exhibitions, it was announced yesterday.

The chairman of the Hong Kong Trade Development Council (TDC) and senior Executive Councillor, Miss Lydia Dunn, said at the opening of the Hong Kong Convention and Exhibition Centre the government's policy of restricting visitors from Eastern bloc countries is being eased.

She said the agreement between the TDC—which is behind the \$2.5 billion centre—and the government is that each case will be studied on its own merits.

"It is not wholly satisfactory, but we can live with it. The government has been very sympathetic," said Miss Dunn.

And the general manager of the convention centre, Mr Jerry Lowery, said the Hong Kong Immigration Department had already approved applications from a few international organisations with Eastern bloc membership to hold a convention here.

He said the accepted process was for the organisation to inform the department of the number of Eastern bloc members it wants to bring in—usually no more than 20—and to supply names later.

"Two years ago we lost several medical and technical conventions because a few members could not come to Hong Kong." [passage omitted]

**Macao**

**First Soviet Trade Delegation Arrives 24 Nov**  
*HK2911033788 Beijing ZHONGGUO XINWEN SHE in Chinese 1424 GMT 24 Nov 88*

[Text] Macao, 24 Nov (ZHONGGUO XINWEN SHE)—An eight-member trade delegation, led by Malkevich, chairman of the USSR Chamber of Industry and Commerce, arrived in Macao via Mainland China this afternoon for a visit. This is the first trade delegation sent by the Soviet Union to Macao.

The members of the delegation include the commercial counselor of the Soviet Embassy to China and the responsible person of the Asia-Pacific Region Cooperation Bureau.

Industrial and commercial circles here believe that Moscow's sending a high-level trade delegation to Macao is a positive move taken following the reform of the Soviet Union to open up a market in the Far East. It will be extremely important for strengthening Soviet-Macao trade relations.

Xue Min Xin [5641 3046 0207], secretary of Macao Economic Affairs, gave a banquet in honor of the Soviet guests this evening.

The Soviet trade delegation will meet the Macao governor tomorrow and have contacts with personages of industrial and commercial circles and officials of the Macao economic departments to discuss matters of trade between the two sides.

#### **Departs 28 Nov**

*HK2811013288 Hong Kong AFP in English 0106 GMT  
28 Nov 88*

[Text] Macao, Nov 28 (AFP)—The first Soviet economic delegation to ever visit Macao left the Portuguese colony Sunday and headed for Moscow after two days of talks.

The eight-member team discussed setting up a trading company with capital from Macao and the Soviet Union and the possibility of exporting textile products to the Soviet Union, officials said.

The Soviet delegation, led by the president of the Soviet general chamber of commerce, Vladislav Malkevitch, arrived here after a four-day visit to the Chinese special economic zones of Shenzhen and Zhouhai.

The visit followed a visit in August to Moscow and Leningrad by a Macanese economic delegation.

Mr. Malkevitch told Radio Macao that the Soviet Union was interested in buying Macanese textiles. He invited Macao businessmen to visit Moscow next January to attend the annual Soviet consumer goods fair.

The Soviet official said Moscow was setting up its own special economic zones and wanted to background information from Chinese authorities who are experienced in the field.

Sources close to the Soviet delegation said the trading company would be used for expanding economic activities in the region.

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